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BOARD OF Natural Resources
COLSTRIP HEARINGS
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VOLUME 35

TRANSCRIPT OF PROCEEDINGS

FOR

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1 MONDAY, MARCH 1, 1976

2
3 The hearing reconvened at 1:40 P.M. on Monday, March 1, 1976,
4 in the Chambers of the Montana House of Representatives, State
5 Capitol, Helena, Montana.

6 The Honorable Carl M. Davis, Hearings Examiner, presided over
7 the proceedings.

8
9 APPEARANCES:

10 Applicants:

11 William M. Bellingham, Esq.
12 John L. Peterson, Esq.
John Ross, Esq.

13 Department of Natural Resources and Conservation:

14 Ted J. Doney, Esq.
Donald MacIntyre, Esq.

15 Northern Plains Resource Council:

16 Leo Graybill, Jr., Esq.

17 Northern Cheyenne Tribe, Inc.

18 Peter Michael Meloy, Esq.

19
20 The following proceedings were had:

21
22 HEARINGS EXAMINER: Are the parties ready to proceed?
23 (AFFIRMATIVE RESPONSE.)

24 HEARINGS EXAMINER: You may call your first witness,
25 Mr. Graybill.

26 MR. GRAYBILL: Mr. McRae. Maybe before we swear the
27 witness, I know the DNR wants to make a motion, and I
28 want to make an observation. Do you want that on the

1 record first?

2 HEARINGS EXAMINER: Whatever is your pleasure.

3 MR. GRAYBILL: All right, I'd like to say for the
4 record that I'd like to know what the policy is again on
5 public witnesses. I'm distressed that in my judgment,
6 the proponents, the Applicants here, have rested their
7 case, and yet I see that a number of public witnesses
8 have come in during the testimony of the Department, and
9 I presume that I'm going to be interrupted in the pre-
10 sentation of my case by a number of public witnesses.
11 Now, I want the record very clear on this. I would cer-
12 tainly defer to a regular public witness, someone that I
13 felt came and could not come at another time and had
14 tried to come at another time, namely, after their case
15 was completed, but I know that the witness today, and
16 that other witnesses have, in fact, been solicited by the
17 power company and are being put in as public witnesses
18 after being requested to testify in many cases, and it
19 seems to me that they, in this manner, have found a way
20 to interrupt the normal flow of any other party's case,
21 and that does not seem to me to be reasonable or fair.
22 I would like these parties either to have to wait and put
23 their testimony in at one time, which could be arranged
24 on some day that we all knew, or I would like them to put
25 it in at the end of each day at 4:00 o'clock or 4:30, but
26 I think it's most unfortunate if they're going to continue
27 to come in and sandwich their testimony in among the test-
28 imony of other witnesses, because, in my judgment, it

1 distorts the transcript and is unfair. I'm not going to
2 raise what I think is the real issue here, because I've
3 raised it another time, and that is, that in my case,
4 the Northern Plains Resource Council is not allowed to
5 cross-examine DNR witnesses, we then could hardly afford
6 to stay around for many, many days, and we only attend
7 the hearings then on the times that our witnesses are on
8 or when we're afforded the opportunity to cross-examine,
9 but by reason of letting these witnesses come whenever
10 they want and be sandwiched in between, I have really not
11 been afforded the right to cross-examine many public wit-
12 nesses who are obviously favorable to the Applicants.
13 Today the same thing would be true of other parties who
14 are not here. I think that's outside the intention of the
15 rules that we adopted originally. I've had no notice of
16 any of these public witnesses. I have had no notice of
17 any regular time that these public witnesses would appear
18 so that I could come and protect myself and my clients'
19 record at that time, and it seems to me that the public
20 witness situation, especially where these are public wit-
21 nesses sponsored by or helped by one of the parties, is
22 completely out of hand and is really breaking into the
23 other side's opportunity to try their case in the manner
24 in which they want to do it. That's all I have on that.

25 HEARINGS EXAMINER: Well, if that calls for a re-
26 sponse from me, Mr. Graybill, frankly, I can hardly see
27 how you can complain that in any manner we've disrupted
28 your case when we let you fix your own time and plan your

1 own schedule, so at this juncture, you can't complain be-
2 fore you're hurt. The second thing is, that on public
3 witnesses, in this type of proceeding, it's my view we
4 want to let the public have an opportunity to be heard,
5 whether they're proponents or opponents. The people that
6 were on at the time, the parties that were on at the time
7 of the scheduling of public witnesses up to this point
8 were all in accord with the procedure to start. At one
9 point in time, we had scheduled them all on Tuesday,
10 but the Department of Natural Resources, Mr. Shenker,
11 felt that they could go ahead with their case and make
12 some headway, which they did. Unfortunately, I had to
13 call or write all of the public witnesses previously
14 scheduled for the 24th, and tell them we'd have to work
15 them in later. Incidentally, I think, hopefully, we've
16 concluded most of the public witnesses on the proponents'
17 side, so I'm sure any interruption will be minor. The
18 only public witness today, I visited with, and told him
19 we would take him at the end of your case today, so that
20 shouldn't be too disruptive. I suppose there will be a
21 few more, and we'll try to work them in without any dis-
22 ruption, as we've done before.

23 MR. GRAYBILL: All right.

24 HEARINGS EXAMINER: Do you say we have a motion from
25 the DNR?

26 MR. DONEY: Mr. Hearing Officer, the other opponents
27 in this case now are ready to put on their witnesses, and
28 we would like to renew our request to be allowed the right

1 to cross-examine these witnesses. We know that this came
2 up in the Board of Health proceeding and you've ruled
3 against us, but we'd like to renew that request. We do
4 feel that even though the opponents' witnesses may, in
5 principle, support our position, there are cases where
6 they do not support totally our position, and that was
7 obvious in the Board of Health hearing. We think the re-
8 quirements of due process require that we be allowed to
9 cross-examine these witnesses, and we now make that mo-
10 tion that we be allowed that right.

11 HEARINGS EXAMINER: Very well, I'm happy to have you
12 get that motion in the record so when these proceedings
13 are reviewed, we can make some determination, but my rul-
14 ing is the same; the motion is denied.

15 MR. GRAYBILL: All right, I'd call Wallace McRae.

16
17 WALLACE D. McRAE, called as a witness by the Northern Plains Re-
18 source Council, having been first duly sworn upon his oath, both as
19 to his written direct testimony and as to the oral testimony to
20 follow, was examined and testified as follows:

21
22 MR. GRAYBILL: Before Mr. McRae commences his cross-
23 examination, I'd like to call the Hearings Officer and the
24 Reporter's and the opponents' attention to page 2. We
25 want to delete one sentence from his statement. If
26 you'll turn to page 2 in his statement and start six lines
27 from the bottom, there's a sentence that says: "Will
28 Rosebud County continue to have the highest per capita

1 crime rate in the State?" We want to delete that from
2 the statement. We have another witness coming that has
3 specific knowledge of this subject, and Mr. McRae does
4 not want to be on the record on that subject.

5 HEARINGS EXAMINER: Very well, it will be deleted.
6

7 (THE WRITTEN DIRECT TESTIMONY OF MR. WALLACE D. McRAE
8 WAS DIRECTED TO BE INSERTED AT THIS POINT.)
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STATE OF MONTANA
BEFORE THE BOARD OF
NATURAL RESOURCES AND CONSERVATION

STATEMENT OF
WALLACE D. MCRAE

My name is Wallace D. McRae. My address is Route 1, Box 28, Forsyth, Montana. I am President of the Rocker Six Cattle Company, a family livestock operation located about ten miles southeast of Colstrip, upon which I reside. I have previously testified in these proceedings.

A French philosopher named Raynal once said, "There is an infinity of political errors which, being once adopted, become principles." Oliver Wendell Holmes said the same thing in another way. He said, "I find the great thing in this world is not so much where we stand, as in which direction we are moving."

Where are we moving? Why to Colstrip, Circle, and Broadus? Why are we moving there? Because there is coal there. And, possibly more important, because in many people's eyes there isn't much else. We are going to Colstrip for a free energy lunch.

As Crane's Law states: "There is no such thing as a free lunch." Someone is going to pay.

On October 24, 1974, at a public meeting in Lewistown, Montana, the president of one of the applicant companies for Colstrip Units 3 and 4 admitted that the price would be paid by the natives of Rosebud County, but he believed that more people would benefit than would be hurt, and that this was an example of the greatest good for the greatest number of people.

The more I thought about this statement and the philosophy behind it, the more I was appalled by its philosophical roots and by its political and practical ramifications.

So, what is the price of the energy lunch? What will be the end result of the greatest good for the greatest number if Colstrip Units 3 and 4 are approved? Will Bailey Egan's land on Cow Creek be condemned for an ash disposal site? Will Duke McRae lose the Douglas homestead and its water to the dragline in mining area B? Will seepage from the surge and ash disposal ponds sour Toppy Lee's meadows and foul Tom Wimer's stock water? Will ranching families continue to be socially ostracized and physically threatened? Will labor for existing businesses continue to be priced out of the market? Will retired people and other individuals on fixed incomes continue to be unable to pay the boom inflated prices for basic necessities? ~~Will Rosebud County continue to have the highest per capita crime rate in the~~ ~~State?~~ Will ranchers and other businessmen continue to postpone investment and other management decisions because of uncertainty about the future? Will the Cheyennes lose the last vestiges of their culture, language, and identity? Will the Rosebud and

Forsyth school districts again face the prospects of increasing enrollment with no concomitant increase in revenue?

These are some of the questions that the glib "greatest good for the greatest number" philosophy fails to address. The answers are, admittedly, critical to a relative handful of people, but they are crucial to the basic premise of property and human rights that is exemplified, and supposedly guaranteed, by our form of government.

I am constantly reminded by proponents of the Colstrip complex that we have a patriotic and moral obligation to permit the social, economic, and physical upheaval of our community in order to solve the "energy crisis," that we have an obligation to meet various "regional responsibilities."

Just how much coal-based industrialization must we bear before we have helped resolve, or at least altered the nation's energy dilemma? Or met our supposed regional responsibilities? Or provided for the greater good? Does Rosebud County have to produce one hundred million tons - one sixth of the nation's total coal production in 1974? Do the natives of Rosebud County have to endorse the Bureau of Land Management's lease recommendations for the South Rosebud Planning Unit and allow an additional 52,000 acres of coal to be leased? Do we have to endorse the Bureau of Land Management's recommendations for the Decker-Birney Planning Unit and allow another 119,000 acres to be leased? Do we have to embrace all of the load and resource forecasts for the Northwest Power Pool and its contractual agreements with the

Pacific Southwest Power Area? Do we also have to endorse the load and resource forecasts for the Mid-America Interpool Network (MAIN) or for the Mid Continent Area Power Planners (MAPP)?

How many tons of coal, megawatts of electricity, million cubic feet of gas, barrels of synthetic fuel, will it take before the plethora of named and nameless "they" are satisfied that Rosebud County has contributed her share? How many cows with a "rocker 6," "diamond," "LC," or "U" on their hides will be left when we have contributed "our share"? How much of a price must the ranchers and farmers in Rosebud County pay for the absence of coherent regional and national energy policies?

In 1968, Rosebud County produced 150,416 tons of coal. In 1974, coal production in Rosebud County had increased to 5,422,415 tons. By 1985, the existing mines in Rosebud County are projected to have a capacity of 22.1 million tons - an amount equivalent to 3% of the nation's 1974 production. By this time next year, the county will have 660 megawatts of installed generating capacity - an amount almost equivalent to The Montana Power Company's system's capacity in 1974. Isn't 22 million tons and 700 megawatts of electricity sufficient to meet Rosebud County's obligation in 1985?

Who's to decide? Who's to determine Rosebud County's systems obligations? Who's to decide Rosebud County's obligation or ability to provide for the greater good? Who's to

decide Rosebud County's regional obligations?

There are at least a dozen energy companies currently holding either coal and/or water rights in Rosebud County. There are at least as many state and federal agencies involved in coal-related activities in the county. Each of these outfits is making independent decisions concerning the disposition of the coal and water resources in the county. Each of these outfits is making independent decisions which either directly or indirectly affect our lives and our livelihood. (One of these companies has notified me that they intend to condemn a portion of my ranch for a 130,000-acre-foot water storage reservoir. This contemplated project is unrelated to Colstrip Units 3 and 4. If my land is condemned, it will be condemned under statutes that define industrial water reservoirs as a "public use," another way of saying the greatest good for the greatest number. Each of these outfits is working on its own time schedule, real or imagined. Each of these outfits is pursuing its own internal objectives.

What emerges from this host of actors is not the greatest good for the greatest number. What emerges is not a rational energy policy or a clear delineation of regional responsibilities. Rather, what emerges is a situation in which no one claims or admits responsibility, in which no one does any coherent planning, in which we have the greatest uncertainty for the greatest number of people.

Rosebud County doesn't need any more uncertainty. Rosebud County doesn't need to have a mushrooming industrial population. Rosebud County doesn't need to have increasing drug use or increasing crime. Rosebud County doesn't need to have its tax base further expanded or 700 let alone 2100 megawatts of electricity. Nor does Rosebud County need to have energy company executives trying to decide the fate of the area. And yet, this is exactly what is occurring.

In the confines of various executive board rooms a decision is made, a decision based on maximizing profits and minimizing opposition. The existence of a captive coal market meets the first requirement. The fact that the coal resource is located in a sparsely-settled, rural county satisfies the second. And a site is born. Chemical engineers from Pittsburgh are hired to prove that there will be no social or economic problems of any significance. Planners are hired to equate an externally planned community with local wishes. A few mobile classrooms are grudgingly loaned to solve educational impacts. A mostly empty shopping center (due to high rents) is constructed with monies acquired from a county industrial revenue bond. Finally, the whole hodge podge is dumped in the laps of two State Boards - two State Boards which must attempt to create and defend a final resolution of a decision made years before in those corporate board rooms.

Hopefully, we have learned from these last three years. Hopefully, the completion of a statewide siting inventory as

required by HB 453, will enable all of us to avoid the uncertainties that have prevailed to date. Hopefully, the completion of a statewide siting inventory will help all of us address the questions of the greatest good, of regional responsibility, and of where we are moving.

But that's in the future. At the moment, the prospect of additional local conversion in Rosebud County is unjust. The prospect of 430 miles of two 500 k.v. lines crossing the state is unjust. The fact that one of the preliminary conversion sites was rejected because it was within sight of an Interstate highway is unjust. We natives only ask that justice be done. If justice is not done and our land, air, water, lifestyle, history and heritage are condemned, it is going to immediately affect a relatively small number of people, but the implications of this unjust condemnation will be long lasting, and ever expanding, and could eventually destroy all justice, all fairness, and all property and human rights.

Perhaps it is fitting that it was an electrical engineer named Vannevar Bush who said, "A people bent on soft security surrendering their birthright of individual self reliance for favors, scrambling for subsidy, learning the arts of political log rolling, and forgetting the rugged virtues of the pioneer, will not measure up to competition with a tough dictatorship."

If we people of Rosebud County lose our battle due to political error, I believe the state, the nation, and even those

elegant exponents of free enterprise such as the applicant companies will, by winning, ultimately lose, for justice is not measured by numbers, and the seeds of any injustice will be a bitter harvest for opponents and applicants alike.

I believe that the location of Colstrip Units 1 and 2 was an error. I hope that error will not be compounded by locating Units 3 and 4 at Colstrip. I hope that is not the direction in which we are moving.

1 EXAMINATION OF WALLACE D. McRAE

2 Cross, by Applicants

3 By Mr. Bellingham:

4 Q I want to congratulate you on your nice final argument in
5 your statement of testimony. Actually, my questions are not
6 going to be very long, because there are so few factual
7 matters in your final argument. I do want to ask you, how-
8 ever, a few questions.

9 MR. GRAYBILL: I'd like to object to the character-
10 ization of my witness's testimony. I don't mind counsel
11 cross-examining, but I don't like him making fun of the
12 witness and the witness's statement, so I'd like to ob-
13 ject and I'd move that his statements to date on the
14 record -- he hasn't asked a question yet -- be stricken.

15 HEARINGS EXAMINER: They'll be stricken.

16 MR. BELLINGHAM: I might add, Leo, that I learned
17 how to ask rhetorical questions mainly from you, during
18 the course of these proceedings.

19 MR. GRAYBILL: Okay, I'd move that that be stricken.

20 HEARINGS EXAMINER: It will be stricken. Let's not
21 start out with comments of counsel. Ask the questions
22 you have.

23 Q You state, Mr. McRae, that you're President of the Rocker Six
24 Cattle Company?

25 A That's correct.

26 Q And how long have you been President?

27 A Since December of 1963.

28 Q 19 when?

1 A '63.

2 Q This is a family livestock operation. Does that mean your
3 family or the family, relatives to you?

4 A It's my family.

5 Q As far as these lands are concerned, were they inherited,
6 passed down?

7 A No.

8 Q They are your own lands that your purchased originally?

9 A Yes. I purchased this ranch in 1963.

10 Q From whom?

11 A From another family ranching corporation called the Hyam
12 Cattle Company.

13 Q No relative of yours?

14 A No.

15 Q How many acres do you operate?

16 A Deeded, or deeded and leased both?

17 Q Deeded, first.

18 A 27,189.

19 Q And how much under lease?

20 A Oh, approximately 3,000.

21 Q Those are under lease from whom?

22 A I have one private lease. I have two school sections.
23 From the state of Montana?

24 A Yes, and I think 80 acres of federal land.

25 Q Who is the private lease from?

26 A It's a woman that lives in Illinois named Hedwig Fritz.

27 Q Two school sections, is that correct?

28 A Yes.

1 Q How many cattle do you run on that spread?

2 A Well, it fluctuates quite a lot, kind of depending on rain-
3 fall and grass production and how much hay I'm able to get,
4 and there are a lot of variables in there. I don't want to
5 get involved in the management aspects of running a ranch, but
6 I have been on an extensive culling procedure, and so I think
7 that that probably decreases the number, and yet I've bought
8 quite a few cattle to keep it stocked, so it's kind of hard
9 to say, but I think probably, it will run 700 cow units. Now,
10 that doesn't count the bulls and the replacement heifers and
11 horses. I do run some horses, too. I've got -- oh, sometimes
12 I think too many mares.

13 Q 700 cow units, and how many bulls?

14 A About 35.

15 Q Now, who prepared your statement? Did you have any help on it?

16 A No, I prepared it myself.

17 Q Who typed it up for you?

18 A I did. My wife typed the rough draft, and then I sent it up,
19 and I'm not sure who did the final typing on it, but it was
20 a little Raggedy Andy. We're not very adept -- neither my
21 secretary nor myself are very adept at typing these things,
22 so --

23 Q I assume you sent it to Northern Plains Resource Council to
24 be typed in final form?

25 MR. GRAYBILL: May I interrupt, Mr. Bellingham? My
26 office has typed every statement from the Northern Plains
27 Resource Council.

28 Q Now, on page 2, you state, "Will ranchers and other businessmen

1 continue to postpone investment and other management decisions
2 because of uncertainty about the future?" Now, what uncertain-
3 ty are you discussing there or thinking about?

4 A There are a host of them. As far as my operation goes, one
5 of the things that I've been trying to grapple with is, I
6 have a potential to irrigate over on Tongue River, and due to
7 the thrust of energy development in that area, and the Chey-
8 enne water suit, which I feel is energy-related, and not know-
9 ing that with increased taxes and a decrease in social climate,
10 and what I feel to be a degradation of the educational quality
11 in the school at Colstrip, there are a lot of imponderables
12 there, and I don't really know how long my tenure in that area
13 is going to be, and so I've been procrastinating and postpon-
14 ing a decision of whether to irrigate out of Tongue River for
15 several years.

16 Q As far as the Tongue River is concerned, Colstrip 3 and 4
17 has no bearing or relationship to that, does it?

18 A I think that the entire thrust and manifestation of the energy
19 thrust in that area and the possible effect that the decision
20 on Colstrip 3 and 4 will have as far as other energy-related
21 areas, or other energy-related projects in that area, there is
22 an implication, at least, from Colstrip 3 and 4.

23 Q You mention an implication, and we'll get into that, but as
24 far as directly, irrigation from the Tongue River has no bear-
25 ing with units 3 and 4, does it?

26 A Not at the present time. I understand that in the past, there
27 was an investigation by the Montana Power Company on the avail-
28 ability of Tongue River water, and your company has reserved

1 water from Tongue River Reservoir, so there would be an impli-
2 cation, if not from Colstrip 3 and 4, at least from your com-
3 pany, as far as coal-related energy development with the Mon-
4 tana Power Company involved, coming from Tongue River.

5 Q Well, I'm talking about 3 and 4 now. Previous testimony in-
6 cates -- and I think I'm safe in saying this -- that absolute-
7 ly, as the matter is now envisioned and the prospects are,
8 all water for 3 and 4, if the application is granted, will
9 come out of the Yellowstone River. You're aware of that,
10 aren't you?

11 A Yes.

12 Q So that as far as 3 and 4 are concerned, at this time, Tongue
13 River water is not involved, is it?

14 A Not with the decision of 3 and 4, but when you consider the
15 fact that Montana Power Company has indicated that there are
16 other plants planned for Colstrip, there might be an implica-
17 tion there from the Tongue River further on down the line, and
18 if 3 and 4 are approved, then it seems to me, since the indica-
19 tion has been made, that other plants are considered at Col-
20 strip by the Montana Power Company that this does have implica-
21 tions as far as the Tongue River water is concerned.

22 Q Well, I think the evidence here, as far as Montana Power Com-
23 pany is concerned, is that they are presently not contemplat-
24 ing any further plants in the Colstrip area as far as generat-
25 ing plants are concerned in the future.

26 A There was a persistent rumor down there now that there is sur-
27 veying taking place at the present time for units No. 5 and 6;
28 now, whether this is accurate or not, I really don't know.

1 Q You say a rumor?

2 A Yes.

3 Q And I think you've correctly described it, have you not?

4 A Yes, probably. There was also a rumor when 1 and 2 were pro-

5 posed, that there would be 3 and 4, and that has borne fruit,

6 so -- I think we have to lend some credibility to most of the

7 rumors, because it seems like every time one of these rumors

8 floats out that there's going to be more energy developed,

9 it ends up being true.

10 Q You've heard a lot of rumors the last few years, haven't you,

11 down in your area?

12 A Yes.

13 Q And a lot of them haven't proven out.

14 A A lot of them have.

15 Q Well, I guess we can say, then, that some of them have, and

16 some haven't, does that make sense?

17 A Some have and some will, perhaps.

18 Q Well, you're not sure of that either, are you?

19 A No.

20 Q You're aware of the Utility Siting Act, I know, quite aware

21 of it, aren't you, Wallace?

22 A I think so.

23 Q And you understand that each generating unit in the future

24 that may be proposed by Montana Power or any other company is

25 going to have to be decided upon its own merits by the Depart-

26 ment of Natural Resources?

27 A Yes.

28 Q 3 and 4 is being decided upon its merits?

1 A Hopefully.

2 Q Do you have any reason to believe otherwise?

3 A Well, I think that the reason I would believe otherwise is
4 that we already have units 1 and 2 there. The opposition has
5 been pretty well softened up, apparently, and there's a per-
6 vading psychology on the part of the applicant companies, I
7 think, to sacrifice that area, and this is one of the things
8 that I and my neighbors object strenuously to.

9 Q You're aware that 1 and 2 did not come under the Utility Sit-
10 ing Act?

11 A Yes, I am.

12 Q But 3 and 4 does, isn't that right?

13 A That's true.

14 Q Now, you mentioned the Cheyenne lawsuit. This is over water
15 rights, isn't it?

16 A Yes.

17 Q And 3 and 4 is not directly involved in that, are they?

18 A Well, probably not. I think that Montana Power Company is one
19 of the co-defendants in the suit, and other than that, that
20 would be the only way that Montana Power would be tied into
21 the Northern Cheyenne and the federal water suit.

22 Q You mention, on page 2, also, "Will the Cheyennes lose the
23 last vestiges of their culture, language and identity?" Do
24 you have reason to believe that the Cheyennes will lose the
25 last vestiges of their culture, language and identity? You
26 asked the question there. Can you provide an answer?

27 A I realize it's a rhetorical question. I think that the poss-
28 ibility does exist, that as people come in, and as the

1 population complexion on and surrounding the Northern Cheyenne
2 Reservation changes, that there will be a loss of some of the
3 things that the Cheyennes have had in the past.

4 Q Well, now, you say "some of the things." What things are you
5 talking about?

6 A I would say culture, language, and identity.

7 Q And when you say culture, what are you talking about?

8 A I would think that in the future, as the Cheyenne people get
9 more diluted on their own reservation, probably the Sun Dance
10 is going to be a thing of the past, and this was probably the
11 focal point of their culture in the past. This was a renewal,
12 a spiritual renewal of the whole tribe, exemplified by the
13 annual Sun Dance, and I think that if you get a mass influx of
14 people on the reservation and their internal communication
15 tends to break down, you're probably not going to have a Sun
16 Dance. I think this is probably the best example I can think
17 of.

18 Q You don't mean to say by your statement, do you, Mr. McRae,
19 that 3 and 4 in and of themselves, if they are approved, is
20 going to cause a mass influx of population onto the reserva-
21 tion?

22 A I think that the construction of units 1 and 2 have given an
23 indication of a mass influx of people onto the reservation.

24 Q How many people have moved onto the reservation as a result of
25 1 and 2?

26 A I don't really know how many have come on, but I understand
27 that there are around 3,000 people living in Lama Deer, and
28 this is sure a lot different than what it was before 1 and 2

1 were constructed.

2 Q You're not sure that the increase there is caused by 1 and 2,
3 are you, Wally?

4 A I think a lot of it could be attributed to 1 and 2 and also,
5 to the philosophical commitment for energy development in that
6 area.

7 Q Now, are you saying that a lot of the construction workers are
8 living in Lame Deer?

9 A I really don't know.

10 Q How far is Lame Deer from Colstrip?

11 A Oh, 25 miles.

12 Q You don't know if there are any workers working upon units 1
13 and 2 that live in Lame Deer?

14 A I imagine there are some. There is some traffic that comes
15 from that direction. I understand some of the people come
16 from Hardin and Lodge Grass and Crow Agency and over in that
17 area, but I would assume that there are some people that come --
18 as far as specific individuals, I don't know of anyone that
19 lives in Lame Deer that works at the plants.

20 Q And if people did come from Lame Deer, they might well be
21 Northern Cheyenne, might they not?

22 A Yes, they could be, but there have been a lot of white people
23 who have moved into Lame Deer recently, too. I was talking to
24 Jim Keene the other night, who's a friend of mine, and a past
25 Council member, and he was talking on the number of white
26 people that have moved into Lame Deer, and also, non-Cheyenne
27 Indians.

28 Q When you talk about Rosebud County not needing to have a

1 mushrooming industrial population, I assume you're talking
2 about coal development, are you not?

3 A Yes.

4 Q You're also talking about the development of 1 and 2?

5 A Yes.

6 Q You're also talking about the possible development of 3 and 4?
7 What other mushrooming industrial population are you referring
8 to?

9 A I think that 1 and 2 has been a touchstone in that area that
10 other energy companies are looking at. I mentioned in my
11 testimony that I received a threat of condemnation for a
12 130,000 acre foot reservoir, part of which would be on my
13 ranch. It has nothing to do with Colstrip 3 and 4, has noth-
14 ing to do with Colstrip 1 and 2, but the very fact that there's
15 coal down there and that there is a relatively -- that there's
16 a sparse rural population and not a whole lot of people, it
17 seems to me that there are other people, other than the appli-
18 cant companies, that are interested in doing things in that
19 area, and I think that once the Rubicon has been crossed with
20 3 and 4, there's going to be a plethora of other companies
21 that come in there and try to do the same kind of thing that
22 you are trying to do.

23 Q You say one of the companies has notified you that they intend
24 to condemn a portion of your ranch. What company is that?

25 A It's a company called the Montana Water Storage Company, and
26 I believe it was made up of two gentlemen, Mr. Norsworthy,
27 and Mr. Rieber, and at that time, a Mr. Winston Cox, and I
28 understand that Mr. Norsworthy has already testified at these

1 hearings as a proponent for Colstrip units 3 and 4, which I
2 feel is significant.

3 Q I think I might tell you that Mr. Norsworthy appeared here on
4 behalf of the Billings Chamber of Commerce and not individu-
5 ally.

6 A As a proponent?

7 Q As a proponent, as an officer of the Billings Chamber of Com-
8 merce, because the President could not be here.

9 A I think that he would be a very good spokesman for your point
10 of view.

11 MR. BELLINGHAM: Thank you, he was. I have no
12 further questions.

13 HEARINGS EXAMINER: Mr. Graybill.

14
15 Redirect, by Northern Plains Resource Council

16 By Mr. Graybill:

17 Q Mr. McRae, you were asked about the uncertainty that you ex-
18 press in your statement here as to the future. Have you ever
19 heard any of the company people tell how many plants might be
20 built in that area? Have you got any information about how
21 many plants could conceivably be built, if not only in the
22 Colstrip area, in the general area?

23 A I testified previously at these hearings that an individual
24 from the Western Energy Company had indicated to a group of us
25 ranchers at a meeting in Colstrip that there would be as many
26 as seven plants at Colstrip, with a total generation capacity
27 of 10,000 megawatts. There was also a question in relation to
28 that about a gasification plant at Colstrip and this was a

1 little bit more up in the air. There was the question of
2 whether there would be enough coal in the Colstrip area to
3 take seven plants, 10,000 megawatts, and a gasification plant
4 on top of it.

5 Q And this sort of statement was made by an official of one of
6 the Montana Power subsidiaries?

7 A Yes.

8 Q And were other people than yourself there and heard that
9 statement?

10 A Yes.

11 Q Was this at a public meeting of some kind?

12 A It was a meeting that -- I don't really know if it was a pub-
13 lic meeting. There were a lot of people there. A lot of
14 people were invited, people that we felt were interested,
15 mostly ranching people. There were several representatives
16 from the Montana Power Company there, and quite a number of
17 ranchers, and several residents of Colstrip at the meeting.
18 I don't really know how many people were there.

19 Q What was the purpose of the meeting?

20 A The purpose of the meeting was to get the Montana Power Com-
21 pany to come down and tell us what their plans were for Col-
22 strip, and we had had several meetings prior to that, and we
23 had several after that, not only with the Montana Power Com-
24 pany. We also had a meeting with the Peabody Coal Company,
25 we had one with the Burlington Northern Railroad, we had one
26 with the County Commissioners, and we had an informal group
27 that would periodically get together and meet with different
28 people. We were just trying to get an assessment of what was

1 going to happen in our area, and the best way we knew to go
2 about it was to call in the public officials and companies
3 that were involved down there and try to find out what they
4 had in mind.

5 Q And it was at a meeting of this nature that a representative
6 of the Western Energy Company said that there might be as many
7 as seven plants there and 10,000 megawatts, is that correct?

8 A Yes.

9 Q At some of these other meetings that you've talked about, have
10 there been other indications as to the possible industrializa-
11 tion of the area, at meetings with other companies?

12 A Well, I think we've met with a lot of other governmental units.
13 We've met with the BLM on numerous occasions down there, on
14 the same type of thing, trying to assess what they are doing
15 in the Birney-Decker-Ashland area and in the south Rosebud
16 BLM planning unit.

17 Q Are you familiar with the Northern Great Plains Resource pro-
18 gram study?

19 A Yes.

20 Q And that study, the handbook of which is an exhibit in this
21 case put in by the Applicants; that study mentions many plants
22 in the southeastern Montana area, does it not?

23 A Yes.

24 Q Is that the sort of industrialization that you say causes un-
25 certainty to you as a rancher about the future of your indus-
26 try in that area?

27 A Yes.

28 Q You were asked about the Cheyennes. Did I hear you say that

1 there are 3,000 people, approximately, in the town of Lame
2 Deer now?

3 A That's what this fellow who was down to my place the other
4 night said.

5 Q What's the normal population of Lame Deer, if you have any
6 idea?

7 A A whole lot less than that. I would say around a thousand
8 has been the historical population of Lame Deer, something
9 like that.

10 Q What do you believe would be the effect on the Cheyenne Indians?
11 You've lived near the Cheyenne Indians for a number of years,
12 haven't you?

13 A Yes.

14 Q What effect on an Indian tribe would that sort of influx of
15 outsiders have, in your opinion?

16 A Well, I think if you moved 5,000,000 Irishmen into Scotland,
17 there'd be a whole lot less kilts worn, so maybe that's an
18 indication. I just think that as you proportionately decrease
19 the number of an ethnic group that you're going to have a loss
20 of that heritage and culture and religion and language, and I
21 can't see any way that the Cheyennes are going to retain these
22 things if we continue having energy-related industrialization
23 in that area.

24 Q What significance do you think the Cheyenne Tribe has as a
25 part of Montana's heritage and culture? Is it a significant
26 factor, or is it a minute and unimportant factor?

27 A I think it's very significant. I think that -- when I went to
28 school at Colstrip, about half of the people that were there in

1 the high school were Indians and I think that to start off
2 broadened my horizons to be with other people and to see how
3 they were interested, and I don't think it hurt me to see them
4 and get to know them and get to know about their history and
5 their language and their culture, and things like that, and I
6 think that they've been a significant part of the history of
7 the state of Montana, and I hate to see it just wiped off the
8 slate.

9 Q You've certainly characterized in your statement the area in
10 which you live as a ranching and agricultural-dominated area,
11 isn't that true?

12 A Yes.

13 Q What effect do you see these plants and the process of indus-
14 trialization that you said you feared, having on your industry
15 and your way of life, and the nature of the society in your
16 part of the state?

17 A Well, it becomes more and more obvious as we get more and more
18 development down there that agriculture and industry are in-
19 compatible. We have already, for all practical purposes, lost
20 our community. I think that we're in danger of losing our
21 ground water. I think that the educational quality of the
22 school isn't as good. I think that -- I just wonder how much
23 of a sacrifice we're supposed to make, and that's the thing
24 that bothers me about the whole situation, and that's what
25 bothers my neighbors.

26 Q Well, getting back to this point that Mr. Bellingham asked you
27 about concerning the water and the fact that the water for 3
28 and 4 is supposed to come out of the Yellowstone River, have

1 you done enough study of the area down there to know the water
2 resources of southeastern Montana?

3 A Not really. I have some opinions, but that would be about
4 all that it would be.

5 Q What type of an area is it? Is the rainfall high or low?

6 A It varies quite a lot, but I think historically, if there's
7 anything we're short of, it's probably moisture, usually.
8 We've had a lot of moisture in the past few years, but his-
9 torically, the limiting factor in that country has been rain-
10 fall or water of any kind.

11 Q I realize that Mr. Bellingham was trying to get you to limit
12 your viewpoint to Colstrip 3 and 4, but is it the prospect that
13 Colstrip 3 and 4 are only a beginning of the industrialization
14 of the southeast that causes you and your neighbors concern?

15 A Well, they're a continuation. I think that probably units 1
16 and 2 were the beginning of coal-oriented industrialization,
17 and 3 and 4 are just a continuation of that.

18 Q Do you think it's possible to mine the coal without having
19 the industrialization of the area?

20 A Yes. I think not only is it possible to do that. I think
21 there would be at least a possibility of accommodation between
22 the two different industries. If the coal was mined, if the
23 environmental laws concerning coal mining, the reclamation
24 law, was stringently enforced, that the possibility exists
25 that there could be, at least a degree of co-existence between
26 the two industries.

27 Q Which industries?

28 A Coal and cows.

1 Q In other words, the agricultural basis of eastern Montana, and
2 the coal base?

3 A Yes.

4 Q You think those two could coexist?

5 A I think they could coexist a whole lot better than the con-
6 version industry in the cow business.

7 Q And is one of the reasons for this belief that you're aware
8 that these conversion-type industries do eat up not only the
9 coal resources, but the water resources?

10 A That, and they also bring in so many dog-goned people, in an
11 area that has difficulty in assimilating that number of
12 people. We don't have the social services, we don't have the
13 roads, we don't have the medical services, police and fire
14 protection down there. All of these things have to start from
15 ground zero and be built up, and there's a constant time lag
16 in there between the time your taxable valuation starts up and
17 the time that you can afford to pay for these things, because
18 the people always come in before the facility goes up.

19 Q Is it then, the uncertainty that you refer to that Mr. Belling-
20 ham asked you about -- is the uncertainty created by the pros-
21 pect of the industrialization on top of the mining industry?

22 A It's a compounding effect, it's a squaring effect, and it's
23 not just one, it's the compounding of the whole coal thing.
24 I think a lot of these things, incrementally, we could take.
25 We could probably take some people, we could probably take a
26 degradation in water, we could take a lowering of the water in
27 the Yellowstone, we could take a little air pollution, but
28 cumulatively, when you pile all of these things on top of us,

1 it makes you damned uncertain about whether you want to stay
2 there or not.

3 Q Mr. McRae, I know that you've been a leader in centralizing
4 and vocalizing the sentiment of the ranchers in the south-
5 eastern part of Montana. Would you say that it is this pros-
6 pect of industrialization that is disturbing the people of
7 that company, the original people that lived there, the
8 ranchers and the farmers, rather than the coal mining?

9 A Yes.

10 Q Would you say that the people down there would be more likely
11 to accept the coal mining if they thought the coal mining was
12 not going to be accompanied by the industrialization of the
13 area?

14 A Yes, certainly.

15 Q Is that the thrust of your testimony here?

16 A Yes, sir.

17 MR. GRAYBILL: That's all I have.

18 HEARINGS EXAMINER: Mr. Bellingham.

19
20 Re-cross, by Applicants

21 By Mr. Bellingham:

22 Q Mr. McRae, you mentioned an emissary from Western Energy talk-
23 ing about more plants in addition to 1, 2, 3 and 4. Do you
24 recall that?

25 A Yes, sir.

26 Q What was that man's name?

27 A Paul Schmeckel.

28 Q When was that meeting?

1 A To the best of my recollection -- and I think probably in
2 testifying before, I was in error -- I think this was in
3 March of '72. I think I said 1969 when I testified before.
4 We did have some meetings down there then , but I don't think
5 that was right. I think that it was in March, and I believe
6 the date was March 6th of 1972.

7 Q You referred to Northern Plains Resource's scenario or report
8 relative to the possibilities of generating plants and -- oh,
9 I believe, other plants as well -- gasification plants and
10 so forth, did you not?

11 A Yes.

12 Q You recognize the fact that that was a scenario only; it was
13 not based upon any applications or commitments by any com-
14 panies? It's set up merely as a scenario. You recall that,
15 do you not?

16 A Yes, but I think that some of those scenarios -- in fact, I
17 think Colstrip is way ahead of the scenario that was in that
18 report, so its inaccuracy as far as Colstrip would be that
19 there was less planned for Colstrip than their application is
20 in for now.

21 Q Scenarios set up certain possibilities, isn't that right?

22 A Yes.

23 Q And there certain scenarios, various scenarios, and these
24 were possibilities only? Somebody was speculating as to what
25 might happen down the road?

26 A I suppose, yes.

27 Q How many people do you employ on your ranch?

28 A One full-time man.

1 Q Is he a Northern Cheyenne?

2 A No.

3 Q Have you ever employed a Northern Cheyenne?

4 A Yes.

5 Q How many?

6 A Oh, boy, I don't know. I really don't know -- quite a bunch.

7 Q You say that agriculture and industry are incompatible, and
8 then I think that you perhaps watered that down, talking about
9 if reclamation was stringently enforced, and so forth. Do you
10 firmly believe that agriculture and industry are absolutely
11 incompatible in your area?

12 A I think it depends on how much industry and what direction it
13 takes. I think that agriculture is an industry, and I think
14 that farming is an industry. I think that livestock is an in-
15 dustry, and I think that it depends on what kind and what vol-
16 ume of industry you're talking about.

17 Q So when you say that they're incompatible, you don't mean that
18 strictly speaking, do you? There is a possibility that through
19 control mechanisms and so forth, the two can grow up and con-
20 tinue together?

21 A I think that you reach a point where they are completely in-
22 compatible. I think that you can have some coal mining in the
23 area and that you can still run some cows. I think we're
24 proving that now. Whether you can have plants 1 and 2 on the
25 line and be compatible with a livestock or a farming operation,
26 I don't think you know or I know or anybody knows. I think
27 this is one of the things that everyone is trying to assess.
28 I think this is why there was conditional approval given by

1 the Board of Health, because they don't know, and I don't know
2 and you don't know, but I think we've got to find this out be-
3 fore you go ahead and build more down there. There must be
4 some doubt in the Board of Health's mind on whether the two
5 are environmentally compatible or they wouldn't have given a
6 conditional approval.

7 Q They did given approval, though.

8 A But it was conditional, because they aren't sure. I'm not
9 sure. I don't know how many of these plants we can live with.
10 Maybe we can live with 3 and 4, but I don't think we know yet
11 if we can live with 1 and 2.

12 Q This is an opinion of yours, isn't it?

13 A Yes.

14 Q You say you have already lost the community. What do you mean
15 by that?

16 A There's a lot of places at Colstrip that I don't dare go, and
17 I think that the friendly, open nature that Colstrip used to
18 be, as far as the community, no longer exists. There's two
19 roads that leave my place and go to Forsyth. If I go by Col-
20 strip on Highway 315, and I drive down the road and I wave at
21 people, nobody on that road waves at me. If I go down to
22 Rosebud, everybody waves at me. We haven't really lost the
23 community on the Rosebud, but as far as along Highway No. 315,
24 the community has been lost, I think. It might seem to be an
25 insignificant thing, but to me, it isn't. There's a whole lot
26 of difference between that four or five miles across the
27 hills on how people react and interreact with one another.

28 Q When you boil it right down, you'd like to keep things the way

1 they were, wouldn't you, Wally?

2 A I don't know that this is fair. I think that -- I think that
3 we have an obligation. This is thrown up to me a lot, that
4 we have an obligation as far as the United States goes, and I
5 think that one of the major obligations that we have is to in-
6 sist that the state of Montana and the United States get an
7 energy policy, and we don't have this. We have piecemeal de-
8 velopment because everyone is reacting to applications for
9 conversion facilities, and I don't think this is good, and if
10 we do have an obligation, it seems to me that our obligation
11 is to say to the people in the United States, to say to our
12 government officials, "Look, we need a coordinated energy
13 policy," and I don't think this is being done, and I think
14 that we have an obligation and an opportunity to tell the
15 people in Montana and in the United States, "There are certain
16 things you can do, there are places where it's the best place
17 to do it." I think that I mentioned House Bill 453 in my
18 testimony, and I think this is one of our obligations, is to
19 make this House Bill No. 453 work, the statewide siting inven-
20 tory, and I think that this would help avoid the uncertainties
21 that we're faced with down there, and I think that we're going
22 to have some coal development. We're having a whole lot of
23 coal development now, but I think we have to be able to figure
24 out how much, and put it in the most logical place, and I don't
25 think that we're doing this with our incremental applications
26 such as this.

27 MR. BELLINGHAM: No further questions.

28 HEARINGS EXAMINER: Mr. Graybill?

1 MR. GRAYBILL: I have no questions, thank you.

2 HEARINGS EXAMINER: Very well, you're excused, sir,
3 and thank you. The next witness?

4 MR. GRAYBILL: Mr. Snider.

5 MR. BELLINGHAM: Could we have Mr. Bailey before
6 Mr. Snider?

7 MR. GRAYBILL: Well, I don't know. I thought that
8 I was the one that was going to determine the order of
9 my witnesses. You want Don Bailey to come before Mr.
10 Snider, is that right?

11 MR. BELLINGHAM: Mr. Peterson is not available right
12 now and he was going to interrogate Mr. Snider. That's
13 the reason for the request.

14 MR. GRAYBILL: In an effort to accommodate you, my
15 witnesses have said that it would not bother them, so
16 Mr. Bailey can be sworn next.

17

18 DON BAILEY, called as a witness by the Northern Plains Resource
19 Council, having been first duly sworn upon his oath, both as to his
20 written direct testimony and as to the oral testimony to follow, was
21 examined and testified as follows:

22

23 (THE WRITTEN DIRECT TESTIMONY OF DON BAILEY WAS
24 DIRECTED TO BE INSERTED AT THIS POINT.)

25

26

27

28

STATE OF MONTANA
BEFORE THE BOARD OF
NATURAL RESOURCES AND CONSERVATION

STATEMENT OF
DON BAILEY

I am Don Bailey. My address is Forsyth, Montana. I operate a ranch on the Rosebud Creek approximately 10 miles south-southwest of Colstrip, Montana. To begin my testimony, I would like to quote Michael J. Murphy, Project Manager for the Upper Midwest Council, in a study he did for the Council. I believe his quotation is very pertinent to the arguments that I will present and it reads as follows: "As a nation, we have the option today to either consciously manage our transition as people and as institutions to a future of choice or of having the future evolve through traditional 'innocence' by default. Choices will be made as a deliberate conscious act, or they will be made by default in chaos as we find ourselves overtaken by events. Only for a little while longer can these choices be made freely among a wide variety of energy policies available to us - each of which has near-term and very long-range implications."

Clearly, we must begin to develop new kinds of policies and tools for implementation that can radically change how we use our energy resources and at the same time, protect the rights of individuals affected by our actions, for better or for worse.

As major U.S. energy decisions are made at local, state, and national levels, we will have the opportunity to make ordered choices based on the best long-term use of our total resources. If we don't, the future could be a continual crisis, producing an unending series of expedient decisions based upon confrontation.

Choices made now will not lock us in for all time, but they clearly preclude other options; especially since resources used now can never be used again. Nothing - except responsibility to future generations - prevents us from using up the world's resources in a final rush of consumption.

The hazards of making extreme choices, particularly those which severely limit future options, is of major concern. To allow our dependence upon imported oil to grow may reduce the impacts of domestic energy production, but it would place us in an even more precarious position in the world economy.

To move rapidly into a coal-fired economy may be expedient and workable in the short term, but the capital requirements would be enormous and the environmental impacts of coal production and conversion at high levels will cause permanent damage.

It would appear to be inescapable that the use of western America's coal reserves will grow considerably in the coming decade. If we accept the projections, predictions, and

self-serving solutions to our energy dilemma, as offered up by the energy companies, the future of the Northern Great Plains will be cast in concrete.

So, too, will the future of those who can use its energy. The commitments of resources, capital, manpower and time necessary to meet our energy needs from coal, will lock us into an irreversible spiral of growth requiring us to meet even greater demands in the future.

I believe that the passage by the 1973 Montana Legislature of the Utility Siting Act was an attempt, under a mandate from people all across the State, by that Legislature to address the choices that Montana would have to make and to provide the means to assess all proposals, consider their merits and arrive at an educated conclusion that would be in the long-term best interest of all Montanans. The intent of this legislation is not to preclude Montana from contributing her fair share to the nation's energy needs, nor is it a provincial attempt to "build a wall around Montana." We have been handed the tools to make decisions that could allow the rational development of our energy resources and not preclude the continued viability and strength of Montana's number one and most vital industry - agriculture.

The resources that are vital to agriculture are consumed by coal development, so as energy production grows, agriculture will decrease in importance to the economy. I can foresee

an eventual complete displacement of our agricultural communities in eastern Montana. I do not believe the trade-off of agriculture for energy development will be a long-term asset to Montana's life styles and clean environment. Are these values for the long term to be cast aside in favor of the short-term lust for the dollar?

It was the desire of the Legislature, the present administration, and the majority of the people across the state to arrive at the balance in our resource utilization so that the maximum benefits of one can be realized without unduly limiting the opportunities of all others. In so doing, it was determined that in areas of minimal impact and environmental compatibility, Montana could have her cake and eat it, too, as well as meet her responsibilities to the rest of the nation.

The rationale underlying the Siting Act did not include the idea of building huge coal conversion complexes on the sparsely populated eastern Montana plains where they will have an overwhelming adverse social and economic and environmental impact on existing industries and institutions. I believe that possibly several coal conversion facilities could be built in varied, carefully chosen locations which would have the effect of spreading the adverse and favorable impacts over a much larger area, and thus not concentrate it in devastating proportions in any one particular area. Wouldn't this be the most logical solution? I am sure that this is what the State

Departments of Health and Natural Resources had in mind after their exhaustive studies of this proposal concluded that further construction at Colstrip would be in direct violation of the intent of the Legislature and the people of Montana.

We have heard testimony earlier by company representatives that Colstrip 3 and 4 is the only possible solution to the Pacific Northwest's intermediate energy supply. In view of the stringent requirements set forth in the Utility Siting Act and the obvious desires of the State of Montana to have responsible and rational coal development, I would have to question the managerial capacities of company executives, if they have truly committed their choices of energy policy down such an avenue of uncertainty. It is no wonder that this nation has an energy dilemma.

The failure to honor the unbiased scientific recommendation of the Department of Natural Resources will cause an insurmountable aura of uncertainty around the agricultural industry in Montana. The many and varying scenarios of development that have been projected for the Northern Great Plains will make it even harder for people in agriculture who will be directly affected by coal development to make sound, short-term or long-range management decisions. The commitment of labor and capital to long-term programs of production will be almost impossible because of the total uncertainty of our future.

Every farm and ranch is a unique economic unit within itself. Every integral part of a unit serves an important economic function to the whole unit. To place any portion of an economical farm or ranch unit in a position whereby its ability to function as expected is completely uncertain threatens the reliability of the whole unit. On this basis it will be economic suicide to base management decisions on the reliability of factors with either unknown or uncertain futures.

To operate an agricultural operation successfully today requires a considerable amount of long-range planning and economic projections. The investment of \$100,000.00 into an intensification program will require that that project be proven a sound and viable one in order to secure the financing necessary. If I cannot come up with a predictable rate of return and pay-back time frame, no responsible lending agency is going to underwrite my proposal. The inability of agriculture to be able to continue to grow and meet domestic as well as foreign trade requirements could have more serious ramifications than another oil embargo. Let us not take agriculture and its contribution to everyone's welfare for granted.

The failure of the Board of Natural Resources to provide the reassurance to farmers and ranchers that they will not be placed in this untenable position will result in serious economic insecurity to those farmers and ranchers. The prospect

of the loss of economic stability has already pushed landowners into negotiating away part or all of their property to coal companies. The loss of one member of an agricultural community destroys a portion of the stability of that community. A domino effect results. When the first landowner goes, it makes it tougher for those remaining to endure. This piece-by-piece erosion of my own community is very real and ongoing at the present time. What viable alternatives will remain open to Montana when it is no longer economically feasible for those in agriculture to pursue their ambitions in eastern Montana?

We must reassess the situation and arrive at a compromise that will allow some controlled responsible development but not have a runaway situation which will lead to complete destruction of our agricultural communities. Approval of these plants will set a precedent that will make it even harder for Montana to hold the rein and establish an acceptable level of coal development that will be compatible with agriculture.

The decision that this Board is faced with is monumental. It will add substantially to the direction we will ultimately go from here. It will go a long way toward determining the quality of lives and life styles that will prevail in the future of Montana. As you know, this decision carries with it heavy responsibilities.

1 EXAMINATION OF MR. DON BAILEY

2 Cross, by Applicants

3 By Mr. Bellingham:

4 Q Mr. Bailey, how many acres in your ranch?

5 A Well, I think to accurately answer that, I should clarify the
6 fact that my father and I operate together, but for all practi-
7 cal legal purposes, we are separate entities. My own particu-
8 lar land ownership involves about 7½ sections.

9 Q You and your father, I gather, operate your two spreads, that
10 is, your father's and your's, together, but you each have a
11 spread of your own?

12 A This is correct.

13 Q And the 7½ sections that you operate yourself, were those pur-
14 chased by you over the years?

15 A Yes, sir.

16 Q And you own that 7½ acres, as you previously testified, by
17 yourself?

18 A My wife and myself.

19 Q And how many cattle do you have?

20 A Well, again, this is difficult to assert to a degree of certain-
21 ty, but I generally consider it about a 200 cow operation, my
22 own particular portion of this thing. It varies, as Mr. McRae
23 stated.

24 Q When you stated, on page 3, Mr. Bailey, that "the resources
25 that are vital to agriculture are consumed by coal develop-
26 ment," what do you mean by that?

27 A Well, I think it's common knowledge that if you go to coal
28 conversion, you will ultimately affect four resources, namely,

1 coal, water, land and air. I think that we would have to
2 assert that land, water, and air are vital resources to agri-
3 culture.

4 Q Of course, as far as the coal development is concerned, you're
5 aware, of course, that we have statutes on the books that have
6 been termed perhaps the most stringent as far as reclamation
7 is concerned, in the United States? You're aware of that, are
8 you not?

9 A Yes.

10 Q And if these statutes are properly enforced, that many experts
11 foresee that the land under which coal is located, eventually
12 will be restored either to their original condition or better?
13 You're aware of that, are you not?

14 A I think this is the general consensus, yes.

15 Q Do you have any indications that these conservation statutes
16 will not be stringently enforced?

17 A I think that possibly the final test in this instance will be
18 the concern and abilities of citizens across the state of Mon-
19 tana to insist that government agencies are responsible in
20 this matter.

21 Q Well, there are conservation efforts now being undertaken, are
22 there, now, in the Colstrip area?

23 A I understand that there are, yes.

24 Q Have you inspected any of those?

25 A On occasion, yes.

26 Q Do you find any fault with what's going on down there now?

27 A Well, I think probably the most significant observation I
28 have made over the period of three or four years is that some

1 of the efforts that have been promoted by Western Energy
2 Company in regard to conservation, were done under the guise
3 of public relations, rather than to really come up with a situ-
4 ation that would be most likely to occur.

5 Q What do you mean, under the guise of public relations?

6 A Well, they have test plots down there, and granted, research
7 has been ongoing, but I get the feeling that many times they
8 seize upon the opportunity to put together advertising cam-
9 paigns, what have you, to influence public opinion, that are,
10 in my opinion, somewhat misleading.

11 Q Well, if they're complying with the law, and if they're doing
12 a good job, as they say they are, in the final analysis,
13 that's what counts, isn't it?

14 A I think if you want to get down to the strict requirements of
15 the law, there is some very strong question as to whether they
16 are complying with that law today.

17 Q And I assume that you have forwarded your objections to the
18 proper state officials?

19 A Yes, we have.

20 Q When was this done?

21 A I don't know that I can accurately state that date.

22 Q Were you involved in that?

23 A I think indirectly, yes. I think probably through members of
24 the Northern Plains Resource Council.

25 Q Then it is the Northern Plains Resource Council that has for-
26 warded the objections, is that right?

27 A I'm not certain.

28 Q You, yourself, did not?

1 A I don't believe so, no.

2 Q Well, if you had forwarded any complaints, you would be
3 aware of that?

4 A I think that probably the circumstances that surround this
5 situation is the fact that because Western Energy's efforts
6 have been highly experimental, and this is a whole new area,
7 some of the work that they did down there, I believe did not
8 come under the reclamation law. It was begun before then, and
9 the specific instance that I'm referring to is that the land
10 must be restored to native species, and I don't think that we
11 can say today that this is a matter of fact. I'm not preclud-
12 ing that it's not possible.

13 Q Do you remember the question I put to you that you just
14 attempted to answer?

15 A Yes, sir.

16 Q Well, let me repeat it. If you had forwarded complaints to
17 the proper state officials, you would know, would you not?

18 A Not necessarily. We discussed this matter on many occasions
19 and I don't just exactly recall whether state officials were
20 present at one of those times or whether we went through the
21 normal channels to present this situation.

22 Q When you say "we," who do you mean by that?

23 A Those of us who are concerned in our local organization.

24 Q You are a member, I take it, of the Northern Plains Recourse
25 Council?

26 A Yes.

27 Q How long have you been a member?

28 A Since its beginning, whenever that was.

1 Q You state that you can foresee "an eventual complete displace-
2 ment of our agricultural communities in eastern Montana." Now,
3 when you state complete displacement, you mean complete, do
4 you?

5 A That there will be no more agriculture in eastern Montana? I
6 think it would be inaccurate to say that there would be no more
7 agriculture. I think that for agriculture to be an important,
8 viable portion of the economy would be a more accurate state-
9 ment.

10 Q Then you don't really mean complete displacement, as such?

11 A Not 100%, but a great degree.

12 Q When you talk about eastern Montana, what portion of the state
13 are you talking about?

14 A Well, I think probably, in my own mind, that I consider any-
15 thing east of Billings to be eastern Montana.

16 Q East of Billings?

17 A Right.

18 Q To the North and South Dakota borders, I assume?

19 A Yes, I think that would be accurate.

20 Q Now, you also state in reference to the Siting Act, you talk
21 about the rationale involved, and say, "did not include the
22 idea of building huge coal conversion complexes on the sparse-
23 ly populated eastern Montana plains, where they will have an
24 overwhelming adverse social and economic and environmental im-
25 pact on existing industries and institutions." Now, when you
26 talk about existing industries, what are you referring to?

27 A I think the thrust of my whole statement here is in regard to
28 my concern about agriculture.

1 Q You're not referring to any other industry or you're not re-
2 ferring to any other occupation; you're referring to agricul-
3 ture alone, is that right?

4 A I think agriculture and probably any other agri-business in-
5 dustries would be likewise affected.

6 Q You talk about several coal conversion facilities being built
7 in varied, carefully chosen locations as an alternative. What
8 locations have you in mind when you make that statement?

9 A Well, I haven't been handed the responsibility of making these
10 decisions. My own assessment of the situation and the problems
11 that we are confronted with in Colstrip and Rosebud County, I
12 can see several other locations that would be a whole lot more
13 compatible, at least from social and economic standpoints, at
14 least, as far as we're concerned.

15 Q Where would those be?

16 A I think your urban areas, where many of your facilities are
17 already available.

18 Q All right, what towns, for example?

19 A Well, I would assume that most towns of any magnitude would
20 have sufficient social services to take care of their people.

21 Q Well, let's go through some. Billings, I assume, would come
22 under that?

23 A I would presume, possibly.

24 Q Great Falls?

25 A Possibly.

26 Q Butte?

27 A Possibly.

28 Q Missoula?

1 A Possibly.

2 Q Livingston?

3 A I would suppose.

4 Q Bozeman?

5 A I would suppose.

6 Q In other words, all the larger towns in the state of Montana?

7 A I would think.

8 Q You mentioned the unbiased scientific recommendations of the
9 Department of Natural Resources. That word, unbiased, is
10 your word, I assume, your choice?

11 A I am fully aware of the efforts made by the applicant companies
12 to discredit the work that's been done by the state depart-
13 ments.

14 Q And you are also aware that --

15 MR. GRAYBILL: Excuse me, I'd like to have the wit-
16 ness not interrupted, Mr. Bellingham.

17 MR. BELLINGHAM: I thought he was through.

18 A I think there's been an obvious attempt to discredit this work
19 for self-serving reasons, and I would like to at least believe
20 that these are educated, scientifically inclined people and
21 that they have no particular stake down there, one way or the
22 other, and that they have based their recommendations and de-
23 cisions on the information that's available to them.

24 Q You recognize the fact, of course, that this hearing is an ad-
25 versary proceeding?

26 A I'm not quite certain I understand.

27 Q Well, the Applicants put in their evidence and the opponents
28 to the Applicants put in their evidence. You're aware of that?

1 A Yes, sir.

2 Q Each side gets a chance to put in their own evidence. You
3 talk about the Applicants discrediting the work that the De-
4 partment of Natural Resources has put in. You're aware, also,
5 in such proceedings, that the opponents to the Applicants have
6 also done their best to discredit the work that has been put
7 in and testified to, by the Applicants' witnesses? You're
8 aware of that, are you not?

9 A I don't believe that that is quite accurate. I think that
10 there have been areas where the opposition's witnesses have
11 questioned conclusions arrived at, but I think there have also
12 been areas where they have been in concurrence.

13 Q Well, you go back, and you think that the recommendations of
14 the Department of Natural Resources is unbiased? You feel
15 that strongly?

16 A I have no reason to believe otherwise.

17 Q And do you feel that under the Siting Act that if the Depart-
18 ment of Natural Resources recommends against an application,
19 that that should be the ultimate decision that the Board of
20 Natural Resources makes?

21 A I would like to think that the Board of Natural Resources will
22 rule on whatever application might be before them, strictly on
23 the merits of that particular issue, and not because of politi-
24 cal intimidation that might surround the situation.

25 Q That's what the Siting Act calls for?

26 A Right.

27 Q Now, let's get back to my original question. Do you feel that
28 if the Department of Natural Resources in any application that

1 comes before the Board of Natural Resources under the Utility
2 Siting Act recommends a disapproval, that the Board should
3 follow that recommendation of the Department?

4 A I think that unless there is extenuating evidence to the con-
5 trary, that probably this is correct.

6 Q Well, say that an application is made -- and I am speculating
7 now and not referring to any particular company -- say that an
8 application is made under the Utility Siting Act, and the De-
9 partment of Natural Resources makes a recommendation against
10 it, do you feel that the applicants should then quit their
11 application and go no further with it?

12 A I think it is part of the Administrative Procedures Act which
13 allows them to pursue this to whatever degree they so choose.

14 Q Then you do not deny an applicant the right to go forward
15 merely because the Department of Natural Resources disagrees
16 with their approach?

17 A Not at all.

18 Q You talk about landowners negotiating away part or all of their
19 property to coal companies. Haven't these landowners who
20 have sold their property to coal companies gone elsewhere and
21 relocated?

22 A In some instances, yes. There are quite a number of alterna-
23 tives that are available. I think that at least at the pre-
24 sent time, some of the decisions that were made, many of them
25 through -- I don't want to be disrespectful in this comment --
26 but through ignorance, time proved they were not a very good
27 decision as far as that individual was concerned, but every
28 situation is different, every outfit is different.

1 Q How long have you lived in the Colstrip area?

2 A 35 years.

3 Q Then you have seen, over the period of years that you lived
4 down there, larger ranches buying out smaller ones, haven't
5 you?

6 A To some extent.

7 Q It's a process that goes on continually, doesn't it?

8 A That's correct.

9 Q And a lot of it has been brought about by economic factors
10 that govern ranching and farming in the United States today,
11 isn't that correct, and over the past several decades?

12 A I think that economics is a portion of this. I think there
13 are other items that are important. I think there are two
14 other items that are important that have emerged through this
15 evolution, one being the very character of the individuals
16 that are involved, and the other being the geographical -- I
17 don't know if aptitude is the correct word -- the ability of
18 a particular geographical area to take care of folks.

19 Q Well, it's harder to maintain a living upon the same number of
20 acres today than it was some years ago, isn't that right?

21 A It just depends upon where they are.

22 Q But normally, this has been the history of ranching and farming
23 in Montana, has it not?

24 A Well, I think there's enough argument to that question that I
25 wouldn't say one way or the other at this point. If we wanted
26 to debate that issue, we could take the remainder of the after-
27 noon.

28 Q Well, as an example, and I don't care to debate it with you the

1 rest of the afternoon, I can assure you, any more than you
2 care to debate it that length of time, but say that ten years
3 ago, a family could get along on a certain number of acres --
4 let's make it ten sections -- let's pick this figure out of
5 the air. Today, that same family would have a more difficult
6 time getting by on that same number of acres than they would
7 ten years ago, would they not?

8 A I can't attest to that philosophy. I know small operators in
9 our area that are making a living -- I don't think they are
10 wealthy by any sense of the imagination. I know large opera-
11 tors in our area who over a period put their outfits together
12 on the basis of the theory that you're promoting here, who
13 have passed the point of maximum efficiency, which is not, to
14 me, saying that they're doing better than the fellow who has
15 a little outfit.

16 Q You are aware, of course, that the number of farms in Rosebud
17 County has gone down over the years?

18 A I think that's accurate, yes.

19 Q Would you be surprised if I told you that in 1974 there were
20 approximately 320 farms in Rosebud County? Does that figure
21 ring any kind of a bell with you?

22 A I'm not informed on that.

23 Q Then, if I were to tell you that approximately 340 farms in
24 Rosebud County existed in 1970, you wouldn't be able to --

25 MR. GRAYBILL: May I object unless some source is
26 shown for this information? The witness has said that he
27 can't affirm this, and what we really have is Mr. Belling-
28 ham testifying into the record a lot of figures without

1 any background.

2 MR. BELLINGHAM: There hasn't been any such testify-
3 ing previously by attorneys, as I recall.

4 HEARINGS EXAMINER: Well, if he doesn't know, I
5 presume you've exhausted that point.

6 Q One further -- in 1960 --

7 MR. GRAYBILL: Wait a minute. I've objected to this
8 and I don't want him just reading facts into the record
9 where the witness doesn't know. If he wants to identify
10 his source, I'd have an opportunity to check on it, but
11 I'd object, Mr. Hearing Officer, if he's just going to
12 continue to read into the record some figures that have
13 no basis. It seems to me I've not tried to stop him.
14 I've tried to find out where he's getting his figures.
15 That doesn't seem unreasonable.

16 HEARINGS EXAMINER: Let's hear his next question.

17 MR. GRAYBILL: All right, see what he comes up with.
18 Q I'm just testing the witness's recollection, knowledge, if he
19 has any, of the number of farms in that area in certain years.

20 HEARINGS EXAMINER: Well, go ahead with your ques-
21 tion, and then you can make your objection, and I'll make
22 a ruling.

23 Q In 1960, would the figure of 386 farms in Rosebud County sur-
24 prise you at all?

25 MR. GRAYBILL: To which I object, there being no evi-
26 dence in this record to show that that's the number of
27 farms in Rosebud County at all, and it's argumentative.

28 HEARINGS EXAMINER: Overruled. He can tell what he

1 knows. If he knows it he can tell, and if he doesn't,
2 he can say so.

3 A I'm sure that there is a census figure available that would
4 prove or disprove your statements.

5 Q And in 1950, the figure of 552 wouldn't surprise you, or
6 would you know?

7 A I'd have to answer that in the same manner.

8 Q Do you know Leo Farley in your area?

9 A Yes, I do.

10 Q You know a Duke McRae, do you not?

11 A Yes, I do.

12 Q Are you aware of the fact that they both sold acreage to Pea-
13 body Coal Company?

14 A Yes, I am.

15 Q And they retained a lease on that acreage, did they not, on
16 land not actually mined?

17 A I believe that this probably is correct.

18 Q And after the land is mined, that portion that is mined, will
19 be deeded back to them? Are you aware of that?

20 A I'm not specifically aware of the details of their arrange-
21 ments.

22 MR. BELLINGHAM: No further questions.

23
24 Redirect, by Northern Plains Resource Council

25 By Mr. Graybill:

26 Q Mr. Bailey, are you aware that there are 780 farms in Rosebud
27 County in 1958?

28 A I would have to answer that question that I would assume that

1 there are census figures available to claim or disclaim that
2 statement.

3 MR. BELLINGHAM: That's even higher than I have,
4 Mr. Graybill. I'll defer to your testimony.

5 MR. GRAYBILL: Have you quit, Mr. Bellingham?

6 Q Do you really know, Mr. Bailey, whether or not Farley sold to
7 Peabody? Are you sure of that?

8 A Yes.

9 Q He couldn't have sold to someone else? Well, that's a matter
10 of inconsequence. I'll skip that. Let's go back to the basic
11 proposition that you and Mr. Bellingham discussed for a while
12 at the beginning, and that is, to talk with you a little about
13 the agriculture of the Colstrip area. You've described agri-
14 culture as an industry, isn't that right?

15 A I'm certain that it is, yes.

16 Q And in the Colstrip area, I wish you'd identify for the record
17 some of the elements of that industry; in other words, what
18 types of agriculture are there down there?

19 A Well, I think probably the primary ones would be livestock and
20 grain, the varying alternatives of grain farming.

21 Q Livestock and grain are separate types of agriculture?

22 A Yes, I think they are. The commodities that are derived from
23 them are different.

24 Q Is Colstrip a hay area?

25 A Yes.

26 Q And what's the nature of the livestock industry in the Colstrip
27 area? Is it a dairying industry? Is it a beef industry?
28 Just tell us a little about it.

1 A Primarily a beef industry, yes.

2 Q When you have these types of industries, you've already men-
3 tioned that you need water land, and air. I suppose the need
4 for water, land and air are obvious in an agricultural communi-
5 ty, but aren't there some other things you need; for example,
6 does a beef industry -- in order to have a beef industry,
7 don't you have to have quite a few people engaged in it in the
8 area?

9 A I think that we are in the production phase, the raw material
10 production phase of the industry. I'm certain that there are
11 large numbers of people involved in the production of agricul-
12 tural goods from the time it leaves our factory and is put on
13 the consumer's table.

14 Q Would the industry in your area be the same if there were half
15 as many ranchers as there are now? In other words, would it
16 make any difference if the number of participants in the in-
17 dustry changed materially?

18 A I think this would have to be prefaced with what use the land
19 was put to in that change.

20 Q Well, what I'm asking you, is, as a practical matter, in order
21 for an industry, such as an agricultural industry, to exist,
22 doesn't there have to be a fairly substantial number of people
23 engaging in that industry?

24 A I think what you're trying to ask is, do you have to have a
25 substantial economic base to justify this industry, and I
26 think this is correct. You have to have the necessary ingredi-
27 ents to justify the creation of the other phases of production
28 that are necessary to complete the cycle.

1 Q Well, let's take, for example, grain. Grain is one of the
2 elements that you say exist in the Colstrip area, right?

3 A Correct.

4 Q And the grain farmers, of course, needs machinery, doesn't he?

5 A This is correct.

6 Q And in order to get farm machinery, he has to have somebody
7 that's willing to sell farm machinery to him, doesn't he?

8 A This is right.

9 Q Is it important to him that he have a farm machinery outlet
10 near him?

11 A I think this is a criteria that we all take into account when
12 we purchase farm machinery, services available.

13 Q And it's true, of course, that a farmer can go a long way
14 away and buy his tractor and his equipment, but then, of
15 course, he may have a problem in parts, may he not?

16 A This is right.

17 Q So wouldn't you say that one of the elements that you need in
18 a community if you're going to have a farming community is farm
19 machinery outlets?

20 A This is right.

21 Q And if you're going to have a grain operation, it's probably
22 necessary to have somewhere to market the grain, isn't it?
23 You'd need elevators, right?

24 A I think yes.

25 Q And the point I'm getting at is, I think Mr. Bellingham was
26 asking you, what damage this industrialization could do to your
27 area. Now, isn't it true that extensive industrialization may
28 have a tendency to change the number of elements that are

1 available to your industry, namely, agriculture, in your
2 community?

3 A This is one of our concerns, yes.

4 Q And if some ranchers were forced out of business by mining or
5 by pollution, or if some ranchers left because they didn't
6 like the community, would this tend to weaken the agricultural
7 community in which you live?

8 A It definitely would, for a variety of reasons. We have social
9 and economic institutions that grow up in every community that
10 are a direct result of the people in that community, and when
11 you take out a considerable portion of those people, you're
12 going to change those institutions.

13 Q And is this what you mean when you say that industrialization
14 and agriculture cannot coexist?

15 A This generally is what I'm saying. I think that, as Mr. McRae
16 stated, there's a degree of compatibility, but if he and I are
17 the only two left there when we reach this point, I question
18 whether we will be able to come up with a satisfactory compromise
19 situation to us.

20 Q In order to have an agricultural industry involving cattle
21 raising, you have to have pasture, don't you?

22 A This is correct.

23 Q And you have to have some meadow land, isn't that right, so
24 that you can raise hay if you need to or at least graze your
25 cattle in various places during different parts of the year?

26 A This is generally the situation in my area. There are some
27 operations that don't depend on a hay base.

28 Q And to the extent that new industrial uses impinge upon these

1 meadow lands or these range lands in any manner, either by
2 pollution, which might lower the productivity of the land, or
3 by actual taking of the land for plants, or for ponds or other
4 reasons, or by reason of water changes, all of these things
5 would have a tendency to change, whether or not a certain num-
6 ber of people in the community could make their living in the
7 ranching and agricultural industry, isn't that right?

8 A This is right. I state in my testimony that every portion of
9 an agricultural operation is an integral part of that unit,
10 just as your heart or your lungs are an integral part of your
11 body, and I can cite numerous examples down there where the
12 ability of one operation to assimilate coal development is
13 greater, maybe, than his neighbor's might be, just depending
14 upon the portion of that outfit that's being affected and the
15 manner it's being affected, and the dependency that the total
16 operation has on that portion.

17 Q And if some of those ranchers' places are affected, they are
18 thereby forced out of the ranching business, and that has a
19 tendency to decrease the number engaged in the industry in the
20 area, doesn't it?

21 A Yes.

22 Q And that, in turn, has a tendency to degrade the agricultural
23 industry, isn't that true?

24 A I would believe so.

25 Q And the same could be true for the opposite side of the coin,
26 the growth of the industrial community. When it grows, it re-
27 quires more people, doesn't it?

28 A Normally.

1 Q And to some degree, a lot of people, and some of the farming
2 and ranching operations are somewhat incompatible, aren't
3 they? You get trespassing, you get fences broken, you get
4 trouble when you have a lot of people, isn't that right?

5 A Yes. I think a good example of that is that you don't see too
6 many cows in Central Park in New York.

7 Q Well, and you don't even see them in the immediate outskirts
8 of many medium-sized cities, do you? You have to get out in
9 what's more rural, isn't that the nature of our agricultural
10 industry?

11 A It is in our particular area, but to assert that there aren't
12 cows in the city limits of some of our towns, I couldn't do
13 that.

14 Q I take it what you were referring to, then, in your opening
15 statement was that as the plants came in, of which 3 and 4 are
16 examples, the three basic elements of an agricultural communi-
17 ty, the water, the land, and the air, begin to be utilized for
18 other purposes than the agricultural purpose, isn't that the
19 idea?

20 A This is correct, and unfortunately, they are utilizing it in a
21 non-renewable manner, in most instances, at least water and
22 land are. The air, to whatever degree of pollution is emitted
23 and the ability of agriculture to withstand this --

24 Q And it's non-renewable to the extent that in any given direc-
25 tion from the plant, there is a change in the pureness of the
26 air, isn't that the idea?

27 A I'm sure of this.

28 Q And in a sense, then, you're trying to say, it seems to me,

1 that it's just as difficult to plop an industrial plant down
2 in an agricultural community as it might be to try to run your
3 cattle ranch in the middle of Billings or in the middle of
4 Seattle?

5 A This is correct.

6 Q You, I think, would understand that you would have a difficult
7 time if you simply bought up several square blocks of Seattle
8 and moved the cattle in, wouldn't you?

9 A I would expect to, yes.

10 Q Mr. Bellingham went through a list of Montana cities. Apparent-
11 ly he was asking you if they had a large enough -- whether
12 they were large enough cities to support the sort of popula-
13 tion needs that industrial plants like 3 and 4 would require,
14 and you mentioned several of those cities. I take it that you
15 weren't suggesting that the plants be moved to those cities?

16 A No, not in any manner.

17 Q You were just agreeing with him that those cities were big
18 enough to take the cultural and sociological impact of the num-
19 ber of workers involved in Colstrip 1 and 2, is that right?

20 A I assume that this is what he was asking.

21 Q Do you know whether or not you could give the same answer
22 about them being big enough cities to acclimate themselves to
23 power plants for most of the major cities of Oregon and Wash-
24 ington; in other words, would Seattle be big enough?

25 A I would have to assume this to be true, yes.

26 Q As a matter of fact, you would probably -- maybe you don't
27 know, but you would presume that there must be power plants
28 somewhere in the state of Washington, wouldn't you?

1 A I have knowledge that there are, yes.

2 Q And isn't it true that those cities in the states of Oregon
3 and Washington along the coast, and for that matter, some of
4 the larger cities inland, would be big enough to accommodate
5 the construction crews and the operating crews of plants like
6 Colstrip 3 and 4?

7 A I would think so, yes.

8 Q Are you aware that a great deal of the power that's going to
9 be generated at Colstrip if it's built, will be used in cities
10 like Seattle and Spokane and Tacoma and Portland?

11 A Yes, I am.

12 MR. GRAYBILL: I have no more questions.

13 HEARINGS EXAMINER: Mr. Bellingham.

14

15 Re-cross, by Applicants

16 By Mr. Bellingham:

17 Q You mentioned farm machinery, Mr. Bailey. Where is this farm
18 machinery that you mentioned manufactured?

19 A Well, I think there are machinery manufacturing companies all
20 over America, south, east, north, and west -- Canada -- much
21 of it comes from Canada.

22 Q Very little of it is actually manufactured in Montana?

23 A Well, there are so many lines. There are certain lines of
24 agricultural machinery manufactured in Montana, yes.

25 Q How many lines of machinery that you have are manufactured in
26 Montana?

27 A I can think of two, just off the top of my head. There might
28 be more.

1 Q What are those, please?

2 A One is a bale accumulator, a stacker that goes behind a
3 baler. I believe it's manufactured at Plentywood, and the
4 other, I think, is a hydraulic cattle shoot that I believe is
5 manufactured at -- we discussed this matter the other day. I
6 can't say.

7 Q All the rest of your machinery is manufactured outside the
8 state?

9 A Well, unless there is something that I've neglected to think
10 of.

11 MR. BELLINGHAM: No further questions.

12 HEARINGS EXAMINER: Mr. Graybill.

13

14 Re-redirect, by Northern Plains Resource Council

15 By Mr. Graybill:

16 Q As a matter of fact, don't you know that there are tractors
17 assembled in Montana?

18 A Well, much of the machinery is assembled in Montana.

19 Q Well, and in fact, factories that build those types of
20 machines. Aren't you familiar with that?

21 A I'm certain that there probably are, yes.

22 Q And isn't that also true of farm machinery such as disks?

23 Are you familiar with the Gysler Manufacturing Company at Fort
24 Benton, for example?

25 A Yes.

26 Q The new one that's being put in at Chester, Montana?

27 A Yes.

28 Q Industries compatible with the agricultural industry of their

1 neighborhoods, aren't they?

2 A I would assume yes.

3 Q Is there anything particularly compatible about Colstrip units
4 3 and 4 with the nature of the industry already situated in
5 Colstrip?

6 MR. BELLINGHAM: We object on the grounds it calls
7 for an opinion.

8 HEARINGS EXAMINER: Overruled.

9 A Will you restate that question?

10 Q Is there anything particularly compatible about Colstrip units
11 3 and 4 with the industries already originally associated with
12 Colstrip?

13 A I think in view of the alternatives that appear to me to be
14 available that the answer is no.

15 MR. GRAYBILL: Thank you. That's all.

16 HEARINGS EXAMINER: Very well, thank you, Mr. Bailey
17 You're excused.

18 (WITNESS EXCUSED.)

19 HEARINGS EXAMINER: Your next witness.

20
21 JIM SNIDER, called as a witness by the Northern Plains Resource
22 Council, having been first duly sworn upon his oath, both as to his
23 written direct testimony and as to the oral testimony to follow,
24 was examined and testified as follows:

25
26 (THE WRITTEN DIRECT TESTIMONY OF MR. JIM SNIDER WAS
27 DIRECTED TO BE INSERTED AT THIS POINT.)
28

STATE OF MONTANA
BEFORE THE BOARD OF
NATURAL RESOURCES AND CONSERVATION

STATEMENT OF
JIM SNIDER

My name is Jim Snider. I have farmed in the Colstrip area since 1952. We produce about six hundred acres of wheat per year, with a similar amount in summer fallow. We also have three hundred and twenty acres in alfalfa on which we produce both hay and alfalfa seed. We have been running about one hundred head of cattle. We have a section of land located one mile north of Colstrip Units 1 and 2 on which we farm one hundred and sixty acres. We have a section four-and-one-half miles south of the steam plants with three hundred fifty acres farmed. We have one half section six miles southeast of Colstrip with two hundred and eighty acres farmed. Another half section is eight miles south of Colstrip with one hundred and sixty acres farmed to wheat and alfalfa. We lease three hundred and thirty acres of farmland on two sections lying five miles to the northwest of Colstrip. Therefore, the Colstrip steam plants lie in the geographic center of our farmed acreage.

The margin of profit in farming has always been lower than in most other industries. Farm economists indicate

that the return on investment for farms and ranches runs from one to five percent. We had a couple of real good years in the wheat business in 1973 and 1974. However, this year the price of wheat has gone down and expenses have increased to the point where profit is almost nonexistent. We strip farm and stubble mulch to prevent erosion and produce maximum yields -- our ten-year yield average has been established at 32 bushels per acre. At the recent Wheatgrowers Convention in Billings, the cost of production on a summer-fallow operation was calculated to be \$3.24 per bushel on a 32-bushel average yield. The price of wheat in Billings on January 30, 1976 was \$3.01 per bushel. As the economics student wrote on his test, "When you're losing 23 cents on each unit, you sure have to have a lot of volume to show a profit!" Those of us who farm near Colstrip are fortunate in that this land produces premium wheat. Our wheat this year contained an average of 13.5 percent protein and commanded about 70 cents per bushel premium above market price. Our profit on wheat in 1975 resulted from the soil's ability to produce high protein premium wheat.

Using our average yield of 32 bushels per acre, our 600 acres would produce 19,200 bushels. In 1975, we sold about 12,700 bushels at \$4.00 per bushel, including 70 cents per bushel premium, totaling \$50,800.00. If we sell the remaining 6,500 bushels at \$3.69, the total gross income would be \$74,785.00. Subtracting the \$3.24-per-bushel cost

of production would result in a total net of \$12,577.00. Any factor that had reduced yield by 15 percent in 1975 would have eliminated the profit on wheat. If these same factors reduced in protein content, a net loss would result.

I am not an environmentalist nor a scientist, and on a Montana farm or ranch, pollution is something that happens to somebody else. However, Colstrip plants 1 and 2 alone are huge by anyone's standards, with a size already equal to The Montana Power Company's total installed generating capacity in the State. I understand that expert witnesses testifying in these hearings say that low levels of air pollution, particularly sulphur dioxide, can cause reduced yields in crops. Also, an Environmental Protection Agency report states that under low levels of sulphur dioxide pollution, a farmer can expect 5 to 20 percent damage to alfalfa and 5 to 15 percent damage to wheat.

It is vitally important for the future of the agricultural industry in the Colstrip area that Plants 3 and 4 be located far enough away from plants 1 and 2 that their cumulative effect would not assure maximum allowable pollution on a continuous basis.

If 3 and 4 are built at Colstrip, a scrubber failure during a peak load period would force Montana to make a very unpopular decision -- shut down the plants and shut off the electricity for hundreds of thousands of people on the West

Coast, or sacrifice the agricultural industry in a wide radius around Colstrip. I see no point in Montana permitting itself to be boxed into such an untenable position when there are so many available sites in Montana that would get a good scatter on coal-burning plants, reducing the chance of severe damage to other industries and spreading the economic advantages of industry to many areas. Many of us were lulled into thinking that the Montana Siting Act would prevent such clusters of plants in one place.

Colstrip still has inadequate services. New houses, streets, sewer, water system and a huge addition to the school all have to be built. All of this, while many cities in Montana are suffering an economic slump, with their services and stores begging for customers, extra housing and city services already available, and many of their citizens in the ranks of the unemployed. So we have four out-of-state companies insisting that they locate at a site that will create a super-boom town at Colstrip and practically ghost towns elsewhere. Perhaps other Montana communities have requested that a steam plant be built in their town to broaden their tax base and keep their available services and businesses prosperous. Why Montana should even consider allowing construction of two more huge steam plants at Colstrip when all services, businesses, housing, school facilities and laborers must be brought in, when these same resources are available

elsewhere, even in other Montana communities, is beyond comprehension.

I cannot blame Montana Power Company for wanting to locate as many out-of-state coal-burning facilities as possible at their wholly-owned coal mines at Colstrip. I have little doubt that this will increase their coal profits, and profit is the name of the game. However, I don't believe it is necessary to have any Pittsburgh in Montana. As Governor Judge indicated in his State of the State message, we must not allow private gain to substitute for Montana policy.

I believe the Board of Natural Resources should turn down the request for locating Plants 3 and 4 at Colstrip in favor of some other site that would be more beneficial to Montanans instead of building up a hazard to agriculture at Colstrip.

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1 you want their names?

2 Q No.

3 A And I have, I think, temporary, word of mouth, unwritten

4 leases with Montana Power Company.

5 Q Who are the lessors on the 330 acres of farmland on two sec-

6 tions lying five miles to the northwest of Colstrip?

7 A Burlington Northern and Esther Lemon.

8 Q With regard to your operation, Mr. Snider, as I read it, it's

9 fairly well broken up. It isn't just one economic unit, is

10 it?

11 A That's right, it's split up.

12 Q And basically, you're running a grain operation with cattle

13 as a secondary market?

14 A True.

15 Q How many cattle do you sell a year?

16 A Ordinarily, about 70 calves. This year, it's been cut down to

17 about 45 or 50.

18 Q Where do you store your grain that you haven't sold, for ex-

19 ample, for 1975?

20 A In my own bins.

21 Q With regard to the price of your operation, you state that at

22 the recent wheatgrowers' convention, the cost of production on

23 a summer-fallow operation was calculated at \$3.24 per bushel

24 on a 32-bushel average yield. Are those figures appropriate

25 and applicable to your operation?

26 A I felt that they were. There are other figures available, and

27 I felt that probably these were the most appropriate.

28 Q Do you have figures yourself as to whether or not you

1 approximate that \$3.24 figure?

2 A I think I do, yes.

3 Q Would you say that your cost of operation is approximately

4 that amount of money?

5 A Yes.

6 Q How many people do you employ on your spread?

7 A None; otherwise, my costs would be higher.

8 Q I see. Do you just work it yourself?

9 A Yes, with my daughters. They help me part-time.

10 Q What kind of machinery do you have?

11 A You mean brand names?

12 Q No, just what kind of machinery operation do you use?

13 A Duckfoot chisel plows, tractors, combine, drills, disks,

14 field cultivators.

15 Q A lot of that machinery new?

16 A Yes, quite a lot of it is.

17 Q Where did you buy it?

18 A Ashland, Miles City, mostly those two places.

19 Q You feel that the purchase of that machinery from those markets

20 is compatible with servicing your operation?

21 A It appears to be. I appear to get pretty good service.

22 Q Do you buy most of your machinery at Miles City or do you buy

23 most of it in Ashland?

24 A I buy a little more in Miles City.

25 Q Are you a member of the Northern Plains Resource Council, Mr.

26 Snider?

27 A Yes.

28 Q How long have you been a member?

1 A Probably two years.

2 Q Have you testified at any hearings prior to this time in
3 opposition to Colstrip 3 and 4?

4 A I made a statement at Ashland, I think, one time.

5 Q At the public hearing down there, conducted by the Department?

6 A Yes.

7 Q Have you read any of the transcript of the proceedings that
8 took place before the Board of Health?

9 A No.

10 Q You state on page 3 of your statement that you understand that
11 expert witnesses testifying in these hearings say that low
12 levels of air pollution, particularly sulfur dioxide, can
13 cause reduced yields in crops. From where did you get that
14 understanding?

15 A From a copy of the testimony, from Clancy Gorden's testimony
16 and --

17 Q Did you read their statements?

18 A Yes.

19 Q That are on file in this case?

20 A Yes.

21 Q And you also make note of an Environmental Protection Agency
22 report that states that low levels of sulfur dioxide pollution
23 a farmer can expect 5 to 20% damage to alfalfa and 5 to 15%
24 damage to wheat. May I ask the source of that document?

25 A EPA tests.

26 Q Do you know when that report was issued?

27 A I have copies of it. I think 1972; I can't be sure.

28 Q By whom was it issued?

1 A The Environmental Protection Agency.

2 Q But what division? Did it come out of the Corvallis lab?

3 A I wouldn't know.

4 Q Is it what is known as the criteria document of the EPA on

5 SO₂ effects on vegetation? Is that the title of it?

6 A I don't remember the word, criteria.

7 Q Do you know whether or not it's report No. 5 of the Environmen-

8 tal Protection Agency?

9 A I don't believe that's the number of it, no.

10 Q Was it written to substantiate -- was it written by the En-

11 vironmental Protection Agency to substantiate -- I notice

12 your counsel now is going to give you a copy of it. Is that

13 the report?

14 A Yes.

15 Q May I see it?

16 (MR. PETERSON IS HANDED DOCUMENT.)

17 Q You have a copy of certain pages of the criteria document on

18 the effect of sulfur dioxides on the atmosphere and vegetation,

19 which was issued by the Environmental Protection Agency. Have

20 you read the whole report?

21 A No. I checked just the results.

22 Q From the tables?

23 A Yes.

24 Q Do you know why this document was issued?

25 A Not in particular, no.

26 Q Do you know the basis on which it was issued?

27 A No.

28 Q Do you know whether or not it was issued by the EPA in order

1 to substantiate their setting of the standards for secondary
2 levels in the United States?

3 A Well, the results, as I saw them, caused me to fear a loss in
4 crops due to emissions from smokestacks in the Colstrip area.

5 Q You would concede, wouldn't you, Mr. Snider, that it would de-
6 pend upon the level of the ground level concentrations as to
7 whether or not there would be any reduction in the yield of
8 your crops?

9 A I would judge that, yes.

10 Q And if those levels of concentrations were below the national
11 standard which was set by the EPA, would you expect there
12 would be damage?

13 A According to some of the testimony, I believe it infers that
14 there could be damage within the EPA standards if the standards
15 were maximized continuously.

16 Q That's what you believe now?

17 A I believe this, and my contention here is that if you put
18 enough plants there, you're going to be right up to the maxi-
19 mum standards 100% of the time and thereby cause concentra-
20 tions that would be pretty apt, as near as I can ascertain,
21 to cause damage to wheat and alfalfa.

22 Q What if the total emissions from the plants, from the Colstrip
23 1 through 4, are 60% below the emissions allowed by the EPA,
24 would that be any indication as to whether or not the levels
25 of concentrations would not do damage to the -

26 MR. GRAYBILL: To which I object. It's not a
27 correct statement of the testimony.

28 MR. PETERSON: I asked him to assume it, Mr. Davis.

1 HEARINGS EXAMINER: You can give him a hypothetical
2 question.

3 A I'm not an expert on this pollution and I can't answer that.

4 Q All right.

5 A I base my fears on the testimony of the experts.

6 Q Do you know what level of concentration substantiates your
7 fears?

8 A Well, I know what it said in this report.

9 Q From that report, did you get a level of concentration that
10 substantiates your opinion?

11 A Yes, I did.

12 Q And would that be that for alfalfa, for example, it would re-
13 quire a concentration of 1310 micrograms per cubic meter for
14 a 4-hour period in order to do 5% leaf damage?

15 A Well, that is one of the reports, one of the results. Another
16 test is a combination of more than one pollutant. I think
17 it's 1.1 sulfur dioxide, .10 ozone, and a combination of the
18 four hour period.

19 REPORTER: Will you speak louder, please?

20 A In this one test result, .1 parts per minute sulfur dioxide,
21 with .1 parts per minute of ozone, with a 4-hour exposure,
22 resulted in 19% damage, and it went on up from there to a
23 total of above 55% damage if you had enough concentrations, as
24 near as I could understand it.

25 Q Damage to which crop?

26 A Alfalfa.

27 Q 19%?

28 A Yes.

1 Q So you're saying that when sulfur dioxide, the measured con-
2 centration of sulfur dioxide is .1 part per million, together
3 with .1 part per million of ozone for an exposure time of
4 four straight hours, it affected a foliar injury of 19%?

5 A That's what it says here.

6 Q Do you know whether or not, sir, that caused a reduction in
7 yield?

8 A In another paper connected with this, it said that the dam-
9 age corresponded to yield reduction.

10 Q Do you equate injury to damage as being one and the same?

11 A Based on what this says, yes.

12 Q Based on your understanding of -- ?

13 A Based on my understanding of what it says.

14 Q With regard to your statement, Mr. Snider in which you offer
15 an opinion -- I assume it's an opinion -- that if 3 and 4 are
16 built, a scrubber failure during peak load would force Montana
17 to make a very unpopular decision, that is, shut down the
18 plants and shut off the electricity to hundreds of thousands
19 of people on the West Coast, or sacrifice the agricultural in-
20 dustry in a wide radius around Colstrip -- do you see that on
21 page 3 and 4 of your statement, sir? I assume that those words
22 were written by you?

23 A Yes.

24 Q Do you know what the design is for the scrubber units -- the
25 scrubber unit system for units 3 and 4?

26 A Do I know what the design is? No, I'm not an expert on
27 scrubbers.

28 Q Do you know how many scrubbers there will be for each unit?

1 A No.

2 Q Do you know whether or not the plants can operate independent
3 of the scrubbers?

4 A I've heard that they could, but I'm not sure.

5 Q From where did you get that knowledge, I might ask?

6 A I don't even remember.

7 Q If the reverse were true, if they could not operate without
8 the scrubbers being in operation, would that allay your fears?

9 A Well, no, I don't believe so. I assume that the scrubbers
10 will be in operation.

11 Q Right, and if the scrubbers fail, for some reason, do you
12 think the plant can still operate?

13 A My understanding is that if the pollution exceeds the standards,
14 that there's a possibility that the plants would either have
15 to be shut down or altered until the situation is corrected.
16 This has occurred, I think, recently, with the Corette plant.

17 Q What's the purpose of having a scrubber on a plant of this
18 type, 3 and 4?

19 A I'm not a technician of scrubbers.

20 Q Do you know what a scrubber is?

21 A No, not very much. I don't have very much knowledge of it.

22 Q What is your projected population for Colstrip in the event
23 that 3 and 4 go on line?

24 A I don't have one.

25 Q What towns do you speak to on page 4 of your statement, that
26 there are probably better sites, as I read your statement?

27 A Well, the towns that I read about in the Billings Gazette
28 that are having a business slump, according to the articles

1 that you read in the paper, and need more business, and in
2 all the cases that I've read, they indicate that they want
3 more industry to provide jobs and keep their businesses viable.

4 Q What towns are those, Mr. Snider?

5 A Specifically, the ones that I recall are Great Falls, Butte,
6 Billings -- there was even an article on Custer at one time.

7 Q Are those the towns to which you make reference in your state-
8 ment?

9 A No, I refer to any town that has a situation where they feel
10 that they need industry.

11 Q A town like Three Forks?

12 A I don't know what their situation is.

13 Q How about Townsend?

14 A I'm not familiar with Townsend.

15 Q Do you rule them out?

16 A I don't know anything about them.

17 Q So what you're giving us here is just a general statement
18 without any specific idea?

19 A Right.

20 Q As to where these plants should be located in Montana?

21 A Right. I don't think I'd want to try to tell Montana Power
22 where to locate their equipment or what towns should have them.
23 I fear --

24 Q Just so long as they're not at Colstrip?

25 A Well, I fear the overindustrialization of Colstrip or too
26 much pollution, too many smokestacks.

27 Q You haven't made any independent investigation as to the
28 pollution capability of these other areas, have you?

1 A No, I have not, and I don't think I would wish a plant onto
2 an area that had a lot of smokestacks already.

3 MR. PETERSON: All right, Mr. Snider, I thank you
4 very much for answering my questions.

5 HEARINGS EXAMINER: Mr. Graybill?

6 MR. GRAYBILL: Do you know what the next Northern
7 Plains exhibit number is?

8 HEARINGS EXAMINER: No. 6. Which one are you mark-
9 ing 6, Leo?

10 MR. GRAYBILL: The EPA Study.

11

12 Redirect, by Northern Plains Resource Council

13 By Mr. Graybill:

14 Q I'm showing you what has been marked Northern Plains Resource
15 Council Exhibit 6. Is this the Environmental Protection
16 Agency study you have been referring to in your testimony and
17 which you and Mr. Peterson discussed?

18 A Yes.

19 Q I'm now showing you what has been marked Northern Plains Re-
20 source Council Exhibit No. 7. Is that the article that you
21 said you had referred to when you told Mr. Peterson that you
22 found that these particular levels had caused crop damage?

23 A Yes.

24 MR. GRAYBILL: We'll offer 6 and 7, Your Honor.

25 MR. PETERSON: May I have an objection for the
26 record?

27 MR. GRAYBILL: Sure.

28 MR. PETERSON: Are you ready for my valid objection,

1 Mr. Hearings Examiner?

2 HEARINGS EXAMINER: Try me.

3 MR. PETERSON: I know what the answer is, though.
4 I am going to object to the introduction of Northern
5 Plains Resource Council Exhibit 6 and 7 on the basis that
6 both documents are incomplete on their face; second, that
7 they are offered in violation of the Administrative Pro-
8 cedures Act, in view of the fact that they show that the
9 witness on the stand through whom they are offered is
10 not the author of either document, and this deprives the
11 Applicants of the right of cross-examination on the sub-
12 stance of the documents. They constitute, with regard to
13 particularly item No. 7, a hearsay study from which the
14 Board cannot, of itself, judge the entire effects of the
15 article. That's our objection, and they are therefore
16 immaterial and irrelevant through this witness.

17 HEARINGS EXAMINER: Mr. Graybill, on Exhibit No. 7,
18 does your copy have any date so it could be identified
19 as to what issue it's in, or could you obtain that in-
20 formation?

21 MR. GRAYBILL: It's from the Agronomy Journal, as it
22 shows on page 1. Now, the date -- if we don't have the
23 date, I'd be glad to supply the date. It shows right
24 there, in footnote 1 to Exhibit 7.

25 MR. PETERSON: I wasn't there. Were you there, Leo,
26 at that time?

27 MR. GRAYBILL: I don't know whether it's that one I
28 attended or the other one.

1 HEARINGS EXAMINER: Mr. Graybill, do you have any
2 reply to the objections that have been made by Mr. Peter-
3 son about articles, the author of which, is not present
4 to testify?

5 MR. GRAYBILL: Well, Your Honor, you know I have
6 made that objection so many times here fruitlessly -- the
7 example that I recall most graphically is when the Appli-
8 cants introduced the computer printouts and they didn't
9 put on the people who programmed them in. At one time I
10 remember that one of the lawyers pointed out 15 different
11 inputs had been made by people we didn't get to cross-
12 examine. In a court of law, I think I would tend, if I
13 were the judge, to sustain Mr. Peterson, but in the ad-
14 ministrative hearing at this stage, after we've let the
15 other things in, and since he asked this man questions
16 about them, and since we've put into the record a good
17 deal of the figures without the background out of which
18 these figures come, I think these might be important to
19 help someone understand the record, and therefore, I'd
20 like them admitted.

21 HEARINGS EXAMINER: Very well, the objection is over-
22 ruled. The exhibits will be admitted. Do you have any
23 further redirect, Mr. Graybill?

24 MR. PETERSON: I'll invite Mr. Graybill here on the
25 15th or 16th, when he can cross-examine the author of
26 both these documents.

27 MR. GRAYBILL: He wants to know if you want to ask
28 any more questions.

1 MR. PETERSON: I have no further questions.

2 HEARINGS EXAMINER: No, I mean you, Mr. Graybill.

3 MR. GRAYBILL: No, I have no further questions.

4 HEARINGS EXAMINER: Very well, let's take a ten-
5 minute recess.

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7 (HEARING RECESSED BRIEFLY AT 3:30 P.M.)
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1 The hearing was reconvened at 3:45 P.M., following a brief
2 recess.

3 HEARINGS EXAMINER: We can proceed.
4

5 BILL GILLIN, called as a witness by Northern Plains Resource Coun-
6 cil, having been first duly sworn upon his oath, both as to his
7 written direct testimony and as to the oral testimony to follow,
8 was examined and testified as follows:
9

10 (THE WRITTEN DIRECT TESTIMONY OF MR. BILL GILLIN WAS
11 DIRECTED TO BE INSERTED AT THIS POINT.)
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STATE OF MONTANA
BEFORE THE BOARD OF
NATURAL RESOURCES AND CONSERVATION

STATEMENT OF
BILL GILLIN

My name is Bill Gillin and I am a rancher in the Colstrip area. My ranch is located about fifteen miles north and west of the town of Colstrip. I have been a lifetime resident of Rosebud County except for time spent in military service. My wife and I have four children, all of whom have attended the Colstrip schools. Three attended for twelve years and graduated from Colstrip High School. One girl is now a student in the sixth grade at Colstrip. I also served over twelve years on the Colstrip School Board.

My first reaction to Montana Power's development at Colstrip was indifference. I felt that it would have only minimal effect on my operation and on my family. Time soon proved me wrong in this assumption as my taxes began to go up and overcrowding in the school began to have an adverse effect on our two daughters that were in school at that time. The impact from the reopening of the mines in 1968 was small in the schools because more than adequate facilities were available at that time --we had just completed an extensive addition to the Colstrip school the previous year in anticipation of the influx of students. There was a definite rise in taxes

at this time due to this building program. These tax rises would have been acceptable as long as no other hardships were imposed on us. Once the construction on Plants 1 and 2 began, though, we again experienced a considerable rise in taxes, serious overcrowding in our school, and excessive demands on our roads and on all of our social services.

As an example of what this can do on a personal basis, our youngest daughter was in the third grade at the time of the heavy impact on our schools. During that year she had a total of eight teachers due to splitting of classes, resignation of teachers, and other effects of the turmoil brought on by coal development. This kind of experience is very detrimental to children this young, and is still having its effect on her class. Our next youngest daughter was a junior in high school at that time and was hoping to specialize in Spanish. However, the course was dropped after six weeks of school because the English classes were so overloaded that they had to be split and her Spanish teacher had to be transferred to English classes. Other classes were dropped for the same reasons. We have seen a nearly forty-fold increase in traffic on Highway 315 between Colstrip and Forsyth. We have also seen a tremendous increase in our Police and Sheriff's budget from approximately \$90,000.00 in 1973, to \$386,062.00 in 1976. Despite the increased cost, a very large increase in crime occurred (cases handled through the District Court multiplied three times in one year). Effects of such magnitude would not

have happened had these plants been built in or near population centers instead of in a rural area with very limited social services. These impacts are the result of bringing in a large number of people to an area without the social facilities to handle them. Had these plants been built near large population centers, considerably less adverse impact would have occurred.

Taxes and the effect of Colstrip development on our taxes is my principal reason for testifying at this hearing. First, any discussion of taxes must also include valuations as well as mill levies or the figures will be misleading. As an example, cattle in 1964 were valued at \$57.00 per cow, and in 1974, were valued at \$138.00 per cow. When these valuations were multiplied by the mill levies for the respective years, it shows an increased tax per cow in the Colstrip School District from 1964, to 1974, of 368 percent. This may be one of the main reasons why the ranchers in the Colstrip School District have been so resentful of the Colstrip development. Not only have we suffered a considerable change in our life style, seen our school overwhelmed, our roads overcrowded, and our entire community undergo drastic changes, but we also have seen our taxes increase year after year, and in some cases as much as 300 percent, since coal development struck us. These points on the relation between mill levies and valuation and its effect on the ranchers have been intentionally or inadvertently overlooked by all the people who have written reports on

the effect of impact on the local area, yet it has been crucial to an accurate assessment of this impact. Not only have the ranchers had to bear the brunt of the social impact but have been hurt financially by the energy development at Colstrip. In 1969-70 school year, the total budget of Colstrip schools was approximately \$239,000.00, compared with approximately \$1,123,000.00 in the 1974-75 school year, for an increase of \$884,000.00. In 1974-75, Montana Power Company taxes paid in Rosebud County totaled about \$825,000.00, or ~~4~~59,000.00 less than the increased costs in Colstrip schools alone.

If Plants 3 and 4 are to be built, we will again be confronted with a situation that has been a severe burden on the ranchers and on retired people with fixed incomes in Rosebud County. We expected a time lag between the increased costs of government in the coal areas and sizeable tax revenue from coal development, but even now, after eight years of coal development, the taxes paid by the energy companies have not caught up to the increased costs of schools and local government. If Plants 3 and 4 are built at Colstrip, it will be another six years before there is any hope of the taxes from the four plants at Colstrip equaling the increase in school and government costs. All this could be avoided by building plants 3 and 4 near the load centers.

However, while there has been a lot of talk about School District No. 19 (Colstrip), it is only one of a number of school districts impacted by coal development. The problem is even

worse on the Forsyth and Rosebud school districts, since they receive very little of the increase in taxable valuation. The combined budgets of the Colstrip, Forsyth and Rosebud schools show totals of \$868,000.00 for the 1969-70 school year, \$1,123,000.00 in 1972-73, and \$2,173,500.00 in 1975-76.

Thus, the greatest increase in cost came with the beginning of plant construction. The Rosebud County budget had experienced a parallel rise from a total expenditure of \$610,000.00 in 1970 fiscal year to a total budget for the 1976 fiscal year of \$2,689,000.00, an increase of \$2,079,000.00, or 341 percent. Combining the increase in these three schools' costs with the cost increase in county government, I arrive at a figure of \$3,384,000.00. This amount is very nearly twice the total of all taxes to be paid by Montana Power and its subsidiaries and associates in the Colstrip development this year, including taxes on a number of ranches Montana Power Company has purchased that were on the tax rolls prior to purchase by the Montana Power Company. These taxes also include Montana Power Company electrical facilities in the oil fields in northwestern Rosebud County. Even with Plant No. 1 on the tax roles fully, Plant No. 2 partly on the tax roll, and allowing for inflation, we still find a serious deficit between Montana Power Company's taxes and the increased cost of schools and government in Rosebud County. These figures do not include the increased cost of government in the City of Forsyth. It has increased from \$339,500.00 in 1970, to \$1,337,000.00 in 1976. This year

Forsyth mill levies are at the legal maximum. Therefore, while our taxes in Colstrip School District No. 19 may go down eventually, due to increased taxable valuation from Plants 1 and 2, this is not the case in Rosebud and in Forsyth. These two school districts are left out in the cold as far as taxable valuation from the plants, yet they have undergone staggering impact from construction of Plants 1 and 2. While we here in School District No. 19 are faced with serious problems, these other two districts face an even bleaker situation. The power companies' assessment of the impact has been remarkably inadequate: it has been limited to impacts on Colstrip alone. They have failed to even analyze impacts on outlying communities such as Forsyth and Rosebud, let alone present any ways to solve the problem.

In addition, various reports by the companies have analyzed how construction of Plants 3 and 4 in Colstrip would affect the tax base in Rosebud County and the State of Montana. However, these reports have failed to mention that many of these taxes would be collected on the basis of tons of coal mined and would still be collected whether the plants were built in Montana or out of Montana. It appears that nearly two thirds of the taxes would still be collected by Rosebud County and the State of Montana if these plants are built at or near the load centers, in which case we would not have the pollution or problems that we will if these plants are built in Montana.

Another point that has been overlooked is that many serious needs in Rosebud County, such as roads, schools, sewer and water systems, have been postponed until more tax base was available, and if Plants 3 and 4 are built at Colstrip, these needs can no longer be postponed, but must be faced immediately, thus bringing on a considerable increase in taxes. As an example, all three school districts, Rosebud, Forsyth and Colstrip, have bonded for new facilities, and both Colstrip and Forsyth will need even more additions if Plants 3 and 4 are built at Colstrip. Nearly all the increased costs to date have been spent to try and keep up with the impact, and few, if any, improvements have been completed. As an example, last year \$2,400.00 a mile was spent in maintenance on Highway 315 just to keep it passable, yet it continues to deteriorate.

Many of the improvements in Colstrip that the Montana Power Company constantly points to with pride have actually been subsidized by Federal or County support. Half of the \$1 million public park complex in Colstrip will be built using Federal funds; Rosebud County floated industrial revenue bonds for air pollution control equipment for Colstrip Units 1 and 2 that saved approximately \$12 million for the companies involved; the special improvement district sewage treatment facility at Colstrip, of which 75 percent was Federally funded; the Bureau of Outdoor Recreation has contributed half the cost of Colstrip's new recreational center; attempts are presently being made to

secure Federal funding for improvement of roads suffering increased use as a result of company activity; and a shopping center built by the MONTANA Power Company with revenue from the County's sale of tax-free bonds now stands almost empty due to high rents charged by the Company; reclamation at Western Energy Co. was funded by an EPA grant. In addition, liability on the shopping center project still hasn't been clearly determined.

The Industrial Siting Act of 1973 states that minimal impacts should be a factor in plant siting, and if this factor is to be enforced, these plants should not be placed in rural areas far from large population centers, as this maximizes the impact, and the Colstrip Project is a very good example of this maximum impact.

In summary, I feel that from the standpoint of the ranchers of the area, this entire Colstrip Project has been a very serious detriment to us, and the culminative effects of all these adverse factors has been devastating to us. We have been subjected to increased taxes year after year, we've seen our school overwhelmed with impact students, our roads overcrowded and deteriorating rapidly, and definite decline in law and order in our County, and a decline in community unity.

1 MR. GRAYBILL: Before you start cross-examining,
2 Mr. Bellingham, I wonder if you would turn to page 4,
3 and we'll make your job easier for you. On the second
4 to the last line, on page 4, of the first paragraph,
5 there is a figure duplicated that makes it a little un-
6 reasonable. The \$659,000 should be \$59,000. In other
7 words, the 6 got in there in place of the dollar sign,
8 so that should read \$59,000. That's the last written
9 figure in the second to the last line, first paragraph.

10 MR. BELLINGHAM: I might state this is the first
11 time I've seen this particular exhibit.

12 HEARINGS EXAMINER: Mr. Bellingham?

13
14 EXAMINATION OF MR. BILL GILLIN

15 Cross, by Applicants

16 By Mr. Bellingham:

17 Q Mr. Gillin, how far from Colstrip do you live?

18 A Approximately 15 miles straight line. The road is about 21
19 miles.

20 Q How many acres do you ranch?

21 A About 4,000 acres of deeded, and I do have some leased, too.

22 Q 4,000 deeded acres?

23 A Yes.

24 Q Are these acres you acquired?

25 A Most of it I acquired, yes.

26 Q Where did the other come from?

27 A I had 842 acres I inherited from the family, and then the
28 rest of it, acquired.

1 Q What about surface leases?

2 A I have some BLM leased and I had a private lease last year,
3 and the year before, I had two private leases.

4 Q How much BN acreage do you have? That's Burlington Northern,
5 is it not?

6 A No, no, no -- BLM -- Bureau of Land Management.

7 Q BLM -- excuse me. How much BLM acreage?

8 A It's approximately two sections more or less.

9 Q What about private lease now?

10 A Right now what I'm doing -- I don't know whether I'll have it
11 in the coming year or not, but I have just one section of pri-
12 vate lease this last year.

13 Q On page 3, you talk about cattle valuation, in '64, at \$57.00
14 per cow, and in '74, valued at \$138.00 per cow, right?

15 A Yes.

16 Q Now, of course, you don't attribute any increase in valuation --
17 or I should say, the entire increase in valuation for that
18 period of time, to the impact of Colstrip 1 and 2, do you?

19 A I think these valuations were set by the Department of Revenue.
20 The earlier ones must have been set before the Department of
21 Revenue was created.

22 Q Well, in view of the fact that 1 and 2 are just of recent ori-
23 gin, you're going back to 1964. You're not, by inference,
24 telling us that 1 and 2 was responsible for the increase in
25 valuation?

26 A No, the \$138.00, I believe, was statewide.

27 Q As far as livestock is concerned, you know Mr. Mogen, do you
28 not?

1 A Yes.

2 Q He is County Appraiser, is he not, for Rosebud County?

3 A I think that's his title, yes.

4 Q I notice in Applicant's Exhibit 223, he states that in 1973,
5 the total Rosebud County taxable values, livestock constituted
6 13%; in 1974, 14%, and in 1975, only 6%. Do those figures
7 make sense to you at all?

8 A I don't have them. I won't vouch for them.

9 Q On page 4, you state that in '74-'75, Montana Power paid cer-
10 tain taxes. Are you talking about the fiscal year of '74 and
11 '75? I believe you are, are you not?

12 A I have these figures that come from -- prepared by Montana
13 Power, or the tax man for Montana Power.

14 Q Would that be Chuck Dillon?

15 A Yes, I think so. -- No, Gilder.

16 Q You talk about '74-'75 Montana Power taxation in Rosebud
17 County totaling about \$825,000, right?

18 A There's a slight dispute on these figures, but the latest I
19 got -- the ones he shows, \$821,850, I'll give him the benefit
20 of the doubt or you can go to 825 --

21 Q The difference is somewhat negligible.

22 A Again, these are rounded off figures, not to the penny or
23 anything.

24 Q Do you have the 1975-1976 figures?

25 A Yes, I have a figure here of \$1,708,059.00.

26 Q And according to figures that I have obtained, the '75-'76
27 fiscal year figure of taxes paid by Montana Power was
28 \$1,725,266. That's a close approximation to your figure?

1 A Fairly close. Now, there is one thing I pointed out in my
2 testimony, that taxes here do not all represent coal develop-
3 ment taxes. There are taxes on ranches which your company has
4 bought, and I believe oil fields and facilities in Rosebud
5 County that's covered by this.

6 Q When you prepared your testimony, you did not give us the
7 Montana Power '75-'76 taxation, did you?

8 A No, not in that, but in this I do.

9 Q Well, it's an increase of over 100%, is it not, over '74-'75,
10 the Montana Power Company taxes?

11 A Yes, I think that would be fairly close.

12 Q That is correct, is it not?

13 A Yes, it would be more than 100%.

14 Q Now you talk about the number of ranches Montana Power has
15 purchased, on page 5. Do you know how many ranches Montana
16 Power has purchased in that area?

17 A I could name some that I understand they have purchased, if
18 you care, yes, sir.

19 Q All right, name one.

20 A Lovelace place --

21 Q Well, Montana Power has --

22 MR. GRAYBILL: Excuse me, I don't think the witness
23 was through, Mr. Bellingham.

24 Q Lovelace?

25 A Yes, there was the Ralph Lovelace ranch. I think there was
26 a man from MacDonald's -- it being the daughter's name, it
27 probably wouldn't appear. I think there was a Goodwin ranch,
28 and I understand there's supposed to be another ranch, south

1 of us, the Sloane ranch.

2 Q Are you saying that they purchased these entire ranches or
3 only parts of them?

4 A I think that probably with all those places, there was leased
5 land involved. I don't know. Most of that country is inter-
6 spersed with leases, and I doubt if you purchased the leases.
7 I mean, you may have assumed the leases or something, but I
8 don't think the land included in the leases was purchased.

9 Q Are you aware of the fact that actually, Montana Power has
10 only purchased one ranch insofar as the total acreage is con-
11 cerned?

12 MR. GRAYBILL: To which I object as argumentative.

13 The witness has just listed about six, and unless Mr.
14 Bellingham -- it seems to me he has -- he can't just re-
15 state the evidence in tha manner.

16 HEARINGS EXAMINER: Overruled; he can answer.

17 A I think I covered that when I said that there were probably
18 leases in there that you didn't purchase.

19 Q No, I'm talking about total fee acreage.

20 A I'm talking about units, ranching units.

21 Q And you say that Montana Power has purchased all of the fee
22 acreage of these people that you mentioned?

23 A I don't have personal knowledge to that effect.

24 Q You've heard that, is that correct?

25 A Yes.

26 Q So you can't say for certain?

27 A I heard it from some of the people that did sell.

28 Q Are you aware that some of these people, they only purchased a

1 portion of a section, for example? Are you aware of that?

2 A In what case?

3 Q Well, I'm talking about Walker, for example. Are you
4 familiar with their purchase of Walker acreage?

5 A Yes.

6 Q That that was 1½ sections, only?

7 A I think that was all her interest in that unit.

8 Q I think that is incorrect, but --

9 MR. GRAYBILL: I object unless you have a question.

10 I don't want you to testify, Mr. Bellingham, unless you're
11 sworn in.

12 MR. BELLINGHAM: This will be the first time that
13 any attorney has testified here. I'm very sorry. I
14 make a landmark in that respect.

15 MR. GRAYBILL: Well, my objection is that you charac-
16 terized and said that the witness's testimony is in-
17 correct, and I don't believe that you're sworn; I don't
18 believe you know whether it's correct or not.

19 HEARINGS EXAMINER: That's correct; I think we can
20 call another witness if there's a difference of the
21 facts than this one testifies to.

22 Q Now, you talk about, at page 5, a number of ranches Montana
23 Power has purchased that were on the tax rolls prior to pur-
24 chase by the Montana Power Company. You're not attempting to
25 insinuate there, are you, that they go off the tax rolls
26 after they're purchased by Montana Power?

27 A I'm sure that they were on before they were purchased, and I
28 assume that they still are.

1 Q Well, they would continue on, would they not?

2 A I'm sure they would.

3 Q Now, you've talked about school districts taxes and also, the
4 county-wide taxes. Are you aware of the fact that Mr. Mogen,
5 in his testimony, in comparing taxable values of School Dis-
6 trict No. 19 in Exhibit 224, indicated that Montana Power,
7 Puget Sound Power, who owns one-half of units 1 and 2 -- that's
8 Puget Sound Power and Light Company -- and Western Energy
9 contribute 76.7% of the total taxable value to the Elementary
10 School District No. 19 in 1975? Were you aware of that?

11 A Not directly aware, no.

12 Q And for the High School District 19, in 1975, they contributed
13 71.1%? Were you aware of that?

14 A No, not positively, no.

15 Q And that as far as all coal-related activities, for the year
16 '75, the contribution was 89.8% as far as elementary schools
17 are concerned in School District No. 19 and 83.1% as far as
18 the high school district is concerned? You're not aware of
19 those figures?

20 A I don't have them.

21 Q You haven't looked over that exhibit, then?

22 A No.

23 Q Now as far as the entire Rosebud County is concerned, and here
24 again, we're talking about Montana Power, Puget Sound Power
25 and Light, and Western Energy, are you aware of the fact that
26 in 1974, all of the property taxes paid in Rosebud County,
27 these three organizations contributed 23%? You weren't aware
28 of that, I assume?

1 A I think I have figures somewhat to that extent, and Mr. Mogen
2 gave them to me.

3 Q And he's --

4 MR. GRAYBILL: Excuse me. Had you finished your
5 answer?

6 WITNESS: I was going to see if I had them written
7 in here.

8 Q That's in Applicants' Exhibit 225, and I assume you have not
9 reviewed that?

10 A I have not seen Mr. Mogen's testimony. I've gotten some
11 figures from Mr. Mogen at various times.

12 Q And also, that particular exhibit states that in 1975, these
13 three companies, of the total Rosebud County property taxes,
14 paid 35% of the total county tax. Does that figure surprise
15 you?

16 MR. GRAYBILL: Excuse me; before you answer that,
17 I can't find that on Exhibit 225.

18 MR. BELLINGHAM: On the righthand column, the extreme
19 right.

20 MR. GRAYBILL: Okay, I'm ready; go ahead.

21 A It doesn't surprise me. What surprises me is that it isn't
22 more than that, because the increase in population has been
23 quite a little more than that the last five years.

24 Q Now, you're talking about school districts here, and you talk
25 about Rosebud and Forsyth, and you say that they're left out
26 in the cold as far as taxable valuation from the plants are
27 concerned, and I assume that there you're talking about plants
28 1 and 2?

1 A On their direct taxable evaluation in the district itself,
2 yes. There is a county-wide tax that does affect them, yes.

3 Q Yes, it certainly does, doesn't it, and when we talk about
4 county-wide, we're talking about the county-wide real property,
5 are we not?

6 A Well, there's a 15 and a 25 mil levy for schools, county-wide.

7 Q And that would inure to the benefit of these schools that
8 you're talking about, Rosebud and Forsyth, would it not?

9 A Up to a point; beyond that point, the money goes to the state,
10 and this year, in Rosebud County, that will be a sizeable sum.

11 Q But a certain percentage of it goes to -- ?

12 A A certain percent, but it's going to be limited because of
13 this factor.

14 MR. BELLINGHAM: I have no further questions.

15
16 Redirect, by Northern Plains Resource Council

17 By Mr. Graybill:

18 Q Mr. Gillin, if I understand the cross-examination correctly,
19 Mr. Bellingham has pointed out to you that in 1975, livestock,
20 as a percent of the total in the county had dropped from 14%
21 to 6% of the total taxable value. Does that indicate to you
22 that industrialization is taking place in the county and that
23 the livestock industry is becoming a less significant portion
24 of the community?

25 A In a way it does. I'll tell you one factor, though, that
26 hasn't been brought in here on this, and it has made consider-
27 able difference in these figures that Mr. Bellingham put out
28 here. There's been a considerable increase in the taxable

1 valuation of oil in the county, and I think the coal companies
2 are attempting to stand up and take credit for this when it's
3 not due them, and they really realize that, I'm sure.

4 Q In other words, some of the difference may be due to the in-
5 crease in the oil evaluation?

6 A Considerable of it.

7 Q Now, as I understand it, Mr. Bellingham said that the Montana
8 Power's taxes had increased 100%; in other words, he looked
9 at your statement where you said that their total taxes in
10 Rosebud County in '75 were \$825,000, and he says that they're
11 \$1,725,000 in 1976. Now, that's a little bit more than a 100%
12 increase in their taxes. I think you verified that that's
13 approximately correct in terms of their taxes, isn't that
14 right?

15 A Yes, I think I'd be willing to accept that.

16 Q If I understand your Exhibit 8 correctly, a copy of which we
17 gave to Mr. Bellingham, the combined budgets of the county,
18 however, the combined budgets of the county and the city and
19 the schools, has jumped maybe not in the last year, but in the
20 last two or three years, much more than 100%, hasn't it?
21 Look at your Exhibit 8, the exhibit marked No. 8. Do you know
22 what I mean by exhibit? In other words, although the Montana
23 Power's tax payments may have jumped 100%, the expenses in the
24 county between, let's say, 1972, when they were about
25 \$2,000,000, and in 1976, when they are about \$6,000,000, has
26 gone up about 300%, hasn't it?

27 A Yes.

28 Q Is it true that the Montana Power's tax increases have not

1 been sufficient to keep up with the increased expenses of
2 Rosebud County and the school districts and the city?

3 A They certainly have not. I'd like to refer back here to 1970,
4 when there was a spread here of approximately a million and a
5 half, to '75 -- '76, I mean -- and there's almost a four and
6 a half million spread there.

7 Q In other words, the spread between the total budget and the
8 Montana Power's payments was about a million and a half in
9 1970, and now it's four and a half million, is that it?

10 A These are approximate, yes.

11 Q Who is making up the other \$3,000,000 that exists in the
12 spread now?

13 A Well, this oil has saved us from disaster; otherwise, we'd be
14 making it up, and to a certain extent, we are.

15 Q Do you mean the average taxpayer in that county is still pay-
16 ing a lot more taxes than he was in 1970?

17 A Yes. My taxes are about double. Actually, the taxes on a
18 cow, from 1964 up to 1976, are still double, even when you
19 figure the valuation and the mil levies, your individual tax
20 on an individual cow, or a given number of cows, is still a
21 little more than double what it was in 1964.

22 Q So what you're saying is, that although the Montana Power Com-
23 pany is paying a lot more taxes than in 1970, so are other
24 people, and so is the oil industry?

25 A Yes.

26 Q And in fact, they've had to pay enough to eat up an increase
27 in that 5-year period of over \$3,000,000 above their increased
28 contribution?

1 A I feel that they have. I feel that this is probably the sore
2 spot in this thing. We've suffered this degradation in the
3 community, the roads, the overcrowding of the schools, and
4 then we're getting to pay for this degradation.

5 Q Do I understand from your Exhibit 8 that the total combined
6 budgets of the city, county, and schools for 1976 is approxi-
7 mately \$6,150,000?

8 A County schools, yes, county schools and city of Forsyth.

9 Q And the Montana Power is only paying \$1,600,000 of that
10 \$6,000,000?

11 A Yes. I think closer to \$1,700,000, but it's -- that's the
12 figure I have here.

13 Q So that's the four and a half million gap that exists now that
14 the rest of the taxpayers have to make up, right?

15 A That's the way I see it, and when I write my checks for my
16 taxes, I notice it.

17 Q And do I understand from your chart that in 1970, the total
18 city, county and school budgets were only \$1,600,000, about the
19 same amount the power company pays now?

20 A Yes.

21 Q So that this tremendous increase of four and a half million
22 dollars in annual budgets for those three governmental units,
23 is that largely brought about by the Colstrip plants and the
24 influx of people that have come down there as a result of Col-
25 strip?

26 A I feel it is, and I think I try to bring this out in my testi-
27 mony.

28 Q Now, you say that Montana Power Company has purchased several

1 ranches. Is this land about the city of Colstrip on various
2 sides that they have bought ranches for, or bought up the
3 ranches, to get the land?

4 A Again, I'm not quoting from positive knowledge of this, but I
5 believe the land runs from Rosebud Creek over to within the
6 boundaries of -- I think some of the land included in one of
7 these ranches is in Big Horn County. I think there's one sec-
8 tion. It may be a leased section, but it's part of this unit,
9 and maybe some bordering Treasure County.

10 Q How wide a space east and west in miles is this purchase of
11 the land by Montana Power and Western Energy taking place?
12 Is it just a mile or two around Colstrip, or is it more than
13 that?

14 A Oh, no, it's considerably further from Colstrip.

15 Q Well, can you give me an estimate of how many miles?

16 A I'd say on that one ranch, close to 15 miles west; again, I'm
17 estimating.

18 Q And how many miles east?

19 A Now, it's possible that some of these pieces of land were
20 bought as trading stock or something, but the fact remains
21 that, as I understand it, they were bought, and I think some-
22 where between five and ten miles east.

23 Q So there's a period in there of somewhere between 20 and 25
24 miles that the Montana Power Company has been buying up ranches,
25 is that right?

26 A It would be my estimate on it; again, I'm not absolutely sure
27 on this.

28 Q When you say you're not sure, what you're telling us is what

1 you've observed in the community, isn't that right?

2 A Yes.

3 Q And you're saying that you haven't gone to the land records
4 and checked?

5 A That's about what it amounts to. I'm satisfied in my own mind.
6 I haven't checked it in the courthouse through the land
7 records.

8 Q But from your conversations with these people that you know,
9 your neighbors, you know that many ranches have been sold to
10 the Montana Power, or many large parts of ranches, is that
11 correct?

12 A Yes, I think it would be correct to say it that way.

13 Q And what effect does that have on the ranching community in
14 the long run, on agriculture, as an industry?

15 A To me, I think this is a -- possibly one of the things that
16 40 years from now, we'll see down the road, may have been one
17 of the most serious things about coal development, because
18 you're losing private ownership, and I've seen this go through
19 quite a period in my life, where a development, that it had to
20 be done through private ownership, and most of the development,
21 such as water development, clearing of sagebrush, development
22 of meadows, and so on, was done on privately-owned land, and
23 I expect it to stay that way.

24 Q Does this ownership of a large number of ranches seem to you
25 to be a beginning of the industrialization of the Colstrip
26 area?

27 A Yes. I think, basically, that is probably the reason they
28 are buying it, yes. I doubt if they're just in the speculation

1 business.

2 Q A few minutes ago, Mr. Bellingham was pointing out to you the
3 testimony of one of the Applicants' witnesses, a Mr. Mogen,
4 Robert Mogen, who I understand is an appraiser for the county,
5 is that right?

6 A Yes.

7 Q And he pointed out to you that the county is paying quite a
8 bit more taxes now than it used to, and in fact, I just quoted
9 him as saying that the taxes for 1976 had about doubled over
10 '75. Do you remember that testimony? Do you remember Mr.
11 Bellingham asking you about that?

12 A You mean on Montana Power's taxes nearly doubling?

13 Q Yes.

14 A Yes.

15 Q Now, would the Montana Power Company be paying taxes on all of
16 these ranches that we've been talking about?

17 A I assume that they are.

18 Q So in other words, part of their increased taxes is not so
19 much from building of a plant, but from buying up agricultural
20 land, is that right?

21 A It's been a factor; there's no question.

22 Q And that's one of the reasons the Montana Power's taxes are
23 going up, is that they're buying up the land in the area, is
24 that true?

25 A I would assume that, yes.

26 Q I've just given you to look at Exhibit No. 223, I believe it
27 is, out of Mr. Mogen's testimony. In that testimony, he points
28 out that School District No. 19, the taxes on School District

1 No. 19 are paid overwhelmingly by coal-related businesses. I
2 think it's 71% in the elementary school and, I don't know,
3 80, 89% in the rest of them. Do you see those figures there?

4 A Yes.

5 Q Where is School District 19?

6 A It's in the surroundings of Colstrip.

7 Q And is that the Colstrip school?

8 A Yes.

9 Q Aren't school district taxes largely taxes on land?

10 A I think all properties within the area are.

11 Q I see. The land, plus the value of the personal property in
12 the area?

13 A Yes.

14 Q In other words, the figures there in Mr. Mogen's exhibit, No.
15 223, would indicate that the land in and about Colstrip and
16 the property in and about Colstrip is overwhelmingly indus-
17 trialized and devoted to the industrial uses of Western Energy
18 Montana Power, and the other coal companies, isn't that true?

19 A Yes.

20 Q Is that what you know to be the fact in that area?

21 A I would assume this.

22 Q In other words, doesn't Mr. Mogen's exhibit really prove that
23 Western Energy and the Montana Power Company, and perhaps Pea-
24 body Coal Company, which I presume is also in the school dis-
25 trict, have taken over so much of the property of that school
26 district, that they are naturally the overwhelming contributors
27 to the school, isn't that so?

28 A Yes, more ways than one.

1 Q So their interests have become the predominant financial in-
2 terests in the community, rather than the ranchers and the
3 local townspeople, is that true?

4 A Yes.

5 Q Has that had an effect upon your school board and your school
6 policies in and around Colstrip?

7 A I feel it has, yes.

8 Q I've showed you Exhibit 224, which is another of Mr. Mogen's
9 exhibits, and the only point I want to show you there is
10 that you'll notice that between 1970 and 1976, the percentage
11 of the taxes in Rosebud County borne by the coal and energy-
12 related companies has risen from 5 to 30% -- 5 to 35%. Do
13 you see that?

14 A Yes.

15 Q In other words, there's been a 30% increase in the amount of
16 taxes borne by these companies?

17 A Yes.

18 Q -- proportionately in that period, is that right?

19 A Yes.

20 Q But this is the same period that the total expenses in this
21 county have risen by something in the neighborhood of 300%,
22 isn't it?

23 A Yes.

24 Q So this is only half of the story, of illustrating that really,
25 although they're paying a lot more taxes, they are not paying
26 enough taxes to cover the increased costs that have come
27 about, isn't that true?

28 A Yes.

1 Q And you've already testified that the oil industry and the
2 other taxpayers, ranchers, and farmers, and local people, have
3 to make up the difference, isn't that true?

4 A Yes.

5 Q So that although Mr. Mogen's exhibits show a laudable increase
6 in taxation of these big companies because of the gigantic in-
7 flux of their capital into the county, they have not really
8 been able to keep pace with the needs of the county as far as
9 taxation is concerned, isn't that the gist of your testimony?

10 A Yes, it is, and I think I'll make another point in this testi-
11 mony. If all the needs that have arisen since they have come
12 in were being met as those needs arose, instead of being post-
13 poned and postponed, they wouldn't even come near as close
14 as they're doing now, because we have a considerable backlog,
15 such as all three, Rosebud, Colstrip and Forsyth have had bond
16 elections for schools. Now those will be on the tax rolls
17 next year, sewer and water in Forsyth. There's a considerable
18 amount of road work that's just been postponed, to where it's
19 got to be done pretty soon, and these expenses come in, and
20 I think they'll eat up any more increases that the companies
21 see in these taxes.

22 Q In other words, you're telling us that the trimmed line on
23 your Exhibit 8 that shows the county budgets is unfortunately
24 going to continue to go up steeply?

25 A I'm sure it will. I'll be amazed if it doesn't.

26 MR. GRAYBILL: All right, that's all the questions

27 I have at this time, Mr. Bellingham.

28 HEARINGS EXAMINER: Mr. Bellingham.

1 Re-cross, by Applicants

2 By Mr. Bellingham:

3 Q Mr. Gillin, turning your attention to Exhibit 8, you've got
4 there taxes paid by Montana Power Company subsidiaries, and a
5 wide, black line, have you not?

6 A No. Possibly you have a different chart than I have. May I
7 see the one you have? Yes, on yours, it is black.

8 Q Well, this is interesting, because I just saw this exhibit a
9 few minutes ago. Does your exhibit that you have differ from
10 mine in any other particulars?

11 A No. Now we're looking at identical copies, I think.

12 HEARINGS EXAMINER: Let me interject for one point
13 of clarification. Which is the red line on the thermo-
14 fax? Apparently the thermofax doesn't show color.

15 WITNESS: The red line should be the school district
16 line, I believe.

17 HEARINGS EXAMINER: Could you tell me, Mr. Graybill?

18 WITNESS: The red line would be school.

19 MR. GRAYBILL: I think we all have identical copies
20 now, and the top green line is the combined budgets and
21 the bottom black line is the taxes paid by the Montana
22 Power Company and the subsidiaries, and then, the three
23 intermediate lines are the budgets of Forsyth, Rosebud
24 County and the combined school budget. Now, I believe
25 the school budget is the red line, isn't it Mr. Gillin?

26 WITNESS: On mine it is, yes.

27 MR. GRAYBILL: So the red line is the school budgets.

28 HEARINGS EXAMINER: Combined school budgets?

1 MR. GRAYBILL: Yes.

2 WITNESS: I took the budgets for Rosebud, Colstrip,
3 and Forsyth. Again, let me point out there are other
4 school costs that have gone up. Lame Deer and Ashland
5 are two good examples, but I didn't include these, be-
6 cause, in the first place, it wasn't necessary, and it
7 may have been a little more difficult to determine exact-
8 ly what was involved here, so I did leave these out, but
9 actually, they probably should have been in there, and
10 they would have showed even more increase, I'm sure.

11 Q Now, let's get back to my question once again. You have Mon-
12 tana Power and subsidiaries shown in Exhibit 8 in a wide,
13 black line, is that right?

14 A This should be subsidiaries and associates, or something to
15 that effect.

16 Q Will you answer my question, though? It is shown by a broad,
17 black line?

18 A Yes.

19 Q Now, when you say Montana Power Company and subsidiaries and
20 associates, what companies are you including?

21 A Anybody that's paying taxes in that immediate project there,
22 and your coal mines, your subcontractors.

23 Q Yes, but who are these?

24 A I think if you're talking about here -- now, these figures are
25 from your own records, so I won't vouch for them.

26 Q Well, you vouched for them enough to include them in your
27 testimony, didn't you?

28 A Yes, I did.

1 Q You vouchēd for them to that extent, didn't you?

2 A If they're accurate, but again, I refer back to they are your
3 figures.

4 Q Well, you prepared the exhibit, didn't you?

5 A Yes.

6 Q From our figures?

7 A Yes.

8 Q From Montana Power Company's figures?

9 A Yes.

10 Q Now you say you don't vouch for them?

11 A I think you're the one that should vouch for them.

12 Q Well, I'm not under oath, you see, and I didn't put in the ex-
13 hibit, Mr. Gillin. You did.

14 A I have checked it to this extent. I did check with the county
15 assessor, actually, with Mr. Mogen, and there is a slight
16 variation in these figures, but I'm willing to accept them as
17 correct.

18 Q All right, fine. That's what we were trying to get out of you
19 some time ago.

20 MR. GRAYBILL: I will object to your argumentation,
21 counsel. See if you can hold her down, will you?

22 MR. BELLINGHAM: Coming from you, Leo, I need a
23 lesson from you, I'm sure. Thank you, sir.

24 Q Let's go back now to Montana Power Company and subsidiaries.
25 What companies are you including in the word "subsidiary"?

26 A In this, you list Montana Power, Puget Sound Power and Light,
27 and Western Energy.

28 Q What do you mean, in this?

1 MR. GRAYBILL: Excuse me, Mr. Bellingham. May he
2 finish his answer?

3 A These figures are from this, and this is where it --

4 Q I'm trying to find out what "this" is.

5 HEARINGS EXAMINER: He's referring to the exhibit.
6 What's the exhibit number, sir, that you're looking at?
7 It's marked on the bottom.

8 WITNESS: You mean this?

9 HEARINGS EXAMINER: That's not an exhibit?

10 MR. BELLINGHAM: This is not an exhibit, and I'm
11 trying to find out what this is, with quotes around
12 "this."

13 A This is something that your man, Charles Gilder has, and he
14 has it dated 10/10/74.

15 Q May I take a look at it, please?

16 (WITNESS COMPLIES.)

17 Q Thank you, sir. It's your understanding, then, that the taxes
18 paid by Montana Power Company subsidiaries include Western
19 Energy, as well as Puget Sound Power and Light, is that
20 correct?

21 A That's the way it's listed here, yes.

22 Q Now, you mentioned oil as forming a substantial base for the
23 taxes, do you not?

24 A Yes.

25 Q You have mentioned that several times. Have you seen Appli-
26 cants' Exhibit No. 223?

27 A No.

28 Q Well, I'll hand that to you, and do you find in there anywhere

1 where oil and coal net proceeds taxes are included? And I
2 call your attention to the last grouping on the lefthand side;
3 do you see that?

4 A Yes.

5 Q What does it state?

6 A Net proceeds --

7 Q Go on.

8 A Oil and coal.

9 Q What total percentage in Rosebud County is contributed to
10 by that classification?

11 A First, I think you have to break this classification down.
12 Again, I would like to point this out. You're attempting to
13 put them together and develop them together, and the vast
14 majority of this is oil.

15 Q Well, do you know what percentage is?

16 A I think it's around nine and a half million oil and I believe
17 the balance coal.

18 Q Are you sure of that?

19 A I don't have the exact figures. I'm satisfied to that extent.

20 Q What is the percentage there attributed to this?

21 A 27%. Now, this is oil and coal both.

22 Q Right.

23 A Then you must break this down again to about slightly more
24 than 20% of that 27%.

25 Q You say over 20% of the 27% is oil, is that right?

26 A No, no, no, I didn't say that. That would be coal. I think
27 between five and six percent would be coal. Now, again, I'm
28 estimating.

1 Q Five to six percent is coal?

2 A Yes.

3 Q And the remainder of how much?

4 A I would say, to give you the benefit of the doubt, 7% would

5 be coal and 20% would be -- take this 27% and break it down.

6 7% is possibly coal and 20% of it would be probably oil.

7 Q You mentioned your taxes as having gone up last year tremen-

8 dously, is that right?

9 A What year are you referring to?

10 Q Well, you mentioned in your testimony that your taxes had gone

11 up in recent years?

12 A Yes.

13 Q Did you compare them from this year to last year, or do you

14 recall?

15 A For this coming year, the taxes that I pay in November and

16 will be paying the balance of in May, they are down some, and

17 this is about the first year since coal development has come

18 to Colstrip.

19 Q Let me ask you, sir, as far as your '74, 1974 taxes are con-

20 cerned, what were they, do you know?

21 A They were -- I don't have the exact figures, but I think

22 slightly under \$2400 on my unit.

23 Q Under \$2400?

24 A Around \$2400.

25 Q And your 1975 taxes were how much?

26 A They should be around close to \$2,000, slightly under that.

27 Q About \$2000?

28 A Now, again, let me point out my taxes in '74 were just three

1 times what they were, if I remember right, in '64, on the same
2 ranch.

3 Q What about 1973?

4 A I don't have those figures with me. I didn't bring them.

5 Q Well, approximately?

6 A I think they'd be approximately what they are this year, or
7 possibly slightly more.

8 Q Around \$2000?

9 A Yes.

10 Q We're talking about your real property taxes assessed by Rose-
11 bud County?

12 A No. No, we're not.

13 Q What are we talking about?

14 A About real property and various personal property, including
15 cattle.

16 Q All right, real and personal, including cattle?

17 A Yes.

18 Q Assessed by Rosebud County for those years? That's the total?

19 A Now, again these figures are very -- I'm just repeating from
20 memory.

21 Q Now, of that total, approximately how much was contributed by
22 cattle, do you recall?

23 A I haven't broken that down into exact figures.

24 Q You don't know?

25 A I can sure get it for you. Again, to me, it's not too impor-
26 tant. It's the total taxes on the unit.

27 MR. BELLINGHAM: I have no more questions.

28 MR. GRAYBILL: Well, I have just one question, or

1 series of questions.

2
3 Re-redirect, by Northern Plains Resource Council

4 By Mr. Graybill:

5 Q When Mr. Bellingham pointed out to you Exhibit 223, which is
6 Mr. Mogen's exhibit, are you telling me that this net proceeds
7 oil and coal, that although Mr. Bellingham pointed out that
8 27% of it was from resources, that really, most of it is from
9 oil and not from the coal?

10 A By far the vast majority of it is from oil.

11 Q Do I understand you to say that in your best estimate, nine
12 and a half million of the eleven million six is from oil, and
13 only 2.1 million is from coal?

14 A Yes, I think that's approximately right.

15 Q So in fact, the coal has not been, so far, the boon to Rosebud
16 County that the oil has, is that right?

17 A That's right, and oil has caused no impact, where coal has
18 caused a tremendous impact.

19 MR. GRAYBILL: That's all the questions I have.

20 MR. BELLINGHAM: No questions.

21 HEARINGS EXAMINER: Now, as far as this exhibit is
22 concerned --

23 MR. GRAYBILL: I will offer 8, Your Honor.

24 HEARINGS EXAMINER: Any objections, Mr. Bellingham?

25 MR. BELLINGHAM: No objections.

26 HEARINGS EXAMINER: Very well, Northern Plains Exhib-
27 it 8 is admitted, and you're excused, sir, and you can
28 call your next witness.

1 (WITNESS EXCUSED.)

2 MR. GRAYBILL: If it's agreeable to the Hearings
3 Examiner, because Mr. Morissette has to drive back to
4 Forsyth, I'd like to call him before Mr. Munshower, so
5 I'd like to call him next.

6 MR. BELLINGHAM: Mr. Morissette's statement was re-
7 ceived by us today. Is this the one?

8 HEARINGS EXAMINER: Yes.

9 MR. GRAYBILL: He's the one that was subpoenaed,
10 and we gave it to you this morning.

11 HEARINGS EXAMINER: You're prepared to cross-examine
12 now?

13 MR. BELLINGHAM: Yes, sir.
14

15 RICHARD MORISSETTE, called as a witness by the Northern Plains Re-
16 source Council, having been first duly sworn upon his oath, both as
17 to his written direct testimony and as to the oral testimony to
18 follow, was examined and testified as follows:

19
20 (THE WRITTEN DIRECT TESTIMONY OF MR. RICHARD MORISSETTE
21 WAS DIRECTED TO BE INSERTED AT THIS POINT.)
22
23
24
25
26
27
28

STATE OF MONTANA
BEFORE THE BOARD OF
NATURAL RESOURCES AND CONSERVATION

STATEMENT OF
RICHARD MORISSETTE

My name is Richard Morissette. I am Superintendent of Schools at Rosebud, Montana, a position I have held since July 1, 1972. Prior to coming to Rosebud, I taught in a remedial math program in Hardin, Montana for two years. Prior to that, I was Administrator of Heart Butte School, Heart Butte, Montana, for two years, and I taught for one year there. From 1962 to 1967, I was the State Farm Insurance Agent in Laurel, Montana, after having graduated from Rocky Mountain College with a B.S. degree in Business Administration in 1961. I received my Master's Degree in School Administration from the University of Montana, in 1971. I am a graduate of Hardin High School (1957), and a third-generation Montanan. My grandparents homesteaded just Northwest of Hardin, so I have lived in this area most of my life.

Approximately two years ago, our school board, in developing a program for our school district, deemed it advisable to build an additional facility to provide a more efficient and flexible school system. This was felt

necessary due to the fluctuating school population brought about by the coal development in our area.

A school community council was formed to provide community input to our project. Our community then passed two bond issues totaling \$340,000.00 to provide a flexible elementary area and a new gym. The gym facility has allowed us the capability to expand our library and lunch room by utilizing the area of the old gym. This construction is now complete. We planned to utilize the lunchroom and stage area as a music room until such time as a music room could be built. This has not worked out in practicality, as the noise from the lunch room interferes drastically with the music program and creates a great need for a music facility.

Another area of urgent need is the kindergarten. The kindergarten at the present time is being housed in a room that is shared with the Home Economics Department in the high school. This room is intended for use by our two vocational programs, the vocational agriculture and the vocational consumer homemaking classes, that are housed on either side of this room. With the kindergarten in this room, considerable scheduling problems have arisen. In order to continue as low a pupil-to-teacher ratio as we have (presently 12:1), it will be necessary to provide additional classroom space. By providing such space, we will be able to accommodate one class per grade as will be needed within the next four years.

We foresee a continued growth in our district as there is at least one additional trailer park being considered in our district, which would bring in an additional influx of people to our school system. Our enrollment as of 12/19/75, is 175 students, kindergarten through 12th grade, compared to 146 students of one year ago. This represents a 19.86% increase over the preceding year. Of this increase, 55% of these students are directly the result of coal impact.

An additional problem that we have in our district is fluctuation in class sizes. Last year when we took our survey for the coming year, we determined that we would have approximately 9 students in our kindergarten program. We now have 16. It was determined, in our 2nd and 3rd grade room, that we would have 16 students. We now have 10. These are two examples of the populace fluctuating in all the grades.

It is, therefore, proposed to the Montana Coal Board to build an additional facility to house additional elementary room, a kindergarten room, and a music facility in the amount of \$465,000.00. We feel that the coal board would be justified in granting us this money due to the fact that our enrollment of students whose parents are in this district as a direct result of either working in Colstrip or coal-related jobs represents 13.71% of our total enrollment.

In summary, our district has attempted to provide quality education to the students of this district, regardless of the impact coal development has had on this district, by providing a new elementary facility and remodeling the old gymnasium and lunch room to provide the necessary services for our district. This has amounted to, at the present time, \$340,000.00 worth of money raised through bonds and approximately \$50,000.00 worth of District money over the last three years, provided for remodeling and equipment purchases. Citizen input has been utilized thus far in our program and will continue to be utilized as building becomes possible. We, therefore, ask the Coal Board for the amount of \$465,000.00 to provide for the additional facility as we have suggested.

6. Air Conditioning, 1-2	500.00	=	1,300 s.f.
Boiler Room	280.40	=	7,120 s.f.
Boiler Room	25.00	=	2,552 s.f.
Boiler Storage, mechanical			
Office, mechanical	100.00	=	1,162 s.f.
Boiler Construction Area	120.00	=	576 s.f.
Mechanical (Boiler, water, heat)	100.00	=	354 s.f.

6. BOILER ROOM

Area A - Boiler Room	4300
Boiler	375
Boiler Room	300

5700 s.f. @ \$30.00	=	\$ 171,000.00
Area (100)	=	\$ 16,832.00
Total		\$ 187,832.00

Area B - Boiler Room	2500
Boiler Room, etc.	1000

2500 s.f. @ \$40.00	=	\$ 100,000.00
Area (100)	=	\$ 14,976.00
Total		\$ 114,976.00

Area C - Boiler Room	1000
Boiler Room, etc.	500

1000 s.f. @ \$35.84	=	\$ 35,840.00
Area (100)	=	\$ 3,584.00
Total		\$ 39,424.00

BOILER ROOM ONLY

\$ 212,320.00

AREA B AND TOTAL

\$ 36,392.00

ADDITIONAL AND OTHER CHARGES HAVE FOLLOWING \$ 100,312.00

REPAIRED ARE ARE FOR SINGLE PROJECT BY \$200.00
FOR REMOVAL AND REPAIR - REMOVALABLE PARTIAL SYSTEM

Boiler Room	20,000.00
Boiler Room	1,000.00
Boiler Room	3,000.00
Boiler Room	3,000.00
Boiler Room	3,000.00
Boiler Room	3,000.00
Boiler Room	3,000.00

7. 12

\$ 12,000.00

ADDITIONAL TOTAL (AREA)

\$ 461,312.00

1 EXAMINATION OF RICHARD MORISSETTE

2 Cross, by Applicants

3 By Mr. Bellingham:

4 Q Mr. Morissette, I notice that you graduated from Rocky Moun-
5 tain in 1961. That's correct, is it?

6 A Yes.

7 Q And from '62 to '67, you were State Farm Insurance Agent in
8 Laurel?

9 A Right.

10 Q And then, apparently, you started in education in 1968, or am
11 I guessing wrong?

12 A The summer of '67.

13 Q What did you do in the summer of '67?

14 A I moved to Heart Butte, where I became a teacher, and sold my
15 insurance agency in August.

16 Q And you were at Heart Butte, then, for --

17 A Three years.

18 Q Where is Heart Butte?

19 A It's 30 miles south of Browning.

20 Q And after that, you went to Rosebud?

21 A Two years in Hardin.

22 Q Two years in Hardin and then Rosebud?

23 A Yes.

24 Q How large is Rosebud?

25 A I would estimate 125 to 150 people.

26 Q Total in the town?

27 A There is no incorporated town, so it would be pretty hard to
28 define. I would say in the area.

1 Q How many children do you have in elementary school?

2 A Presently, we have 108 as of last Thursday.

3 Q And how many in high school?

4 A We have 172 total, so 108 -- 65, 66.

5 Q Are you relying on Mr. Graybill for the mathematics? I advise
6 you not to do it.

7 MR. GRAYBILL: Try 64.

8 Q I think he gave you 66 to begin with. He's only off two,
9 which is close enough, I think. Now, on page 2, you talk
10 about the low pupil to teacher ratio, and in order to continue
11 that, it will be necessary to provide additional classrooms.
12 Your present pupil to teacher ratio is 12 to 1, is that right?

13 A Yes.

14 Q You have one teacher to 12 students?

15 A That is a combination of kindergarten, through 12th grade,

16 Q which creates a certain amount of difficulty when you divide
17 it from elementary to high school.

18 Q Well, in high school, what is the ratio?

19 A We use several of our teachers in our 7th and 8th grade, which
20 is considered elementary. Our staff is split fairly evenly
21 as far as total staff, so we would have approximately six in
22 the high school, and I think it's $9\frac{1}{2}$ in the elementary.

23 Q Well, what does that figure out, as far as your ratio is con-
24 cerned in high school?

25 A About $11\frac{1}{2}$ to 1.

26 Q What about your elementary school?

27 A About 12 to 1.

28 Q Is it your intention to continue this low ratio if you can?

1 A Well, part of the reason the ratio is low is because of our
2 fluctuation problem. We feel that in order to provide the
3 education that the school district has determined they want
4 for their students in their district, that this ratio will be
5 necessary because of the class sizes and the class division --
6 the division of ages, and so forth, and this is the way it has
7 worked out, because we've tried to provide classes for particu-
8 lar areas.

9 Q What do you mean, classes for particular areas?

10 A Well, in our elementary, we have kindergarten. We have a half-
11 time teacher for kindergarten, we have one teacher for first
12 grade, we have one teacher for second and third grade. We
13 have a teacher for all the 4th and part of the 5th, all of
14 the sixth and part of the 5th, and we have tried to divide
15 this up as evenly as we can so we've got an even workload
16 there.

17 Q What are the state regulations as far as high school ratio?

18 A I don't know that there's a regulation there; there's a
19 recommendation.

20 Q And that is in excess of 25, is it not?

21 A Yes.

22 Q What is it, do you know?

23 A I think it's 25, for certain classes, and you can go higher
24 than that on other classes, of course.

25 Q What about grade school? What is the recommendation?

26 A It depends upon the size of the class. The accreditation
27 standard states that we cannot have more than 20 per class for
28 a primary class to be in grades 1 and 2; however, as soon as

1 you get a multiple grade in one classroom, the number of stu-
2 dents goes down.

3 Q Well, then, you're considerably below the state recommenda-
4 tions, are you not?

5 A Yes, in some areas, in an overall ratio, but the thing that is
6 not apparent here is the fact that we are limited to 22 stu-
7 dents, say, in our 4th-5th combination, and we are at 19 right
8 now.

9 Q All right, now, pages 3 and 4, you're talking about the Mon-
10 tana Coal Board. Have you made some kind of an application
11 for money to build additional facilities?

12 A Yes, that's where most of this text came from.

13 Q From your application?

14 A Yes.

15 Q And you have petitioned the Montana Coal Board of the state of
16 Montana, is that correct?

17 A Yes.

18 Q -- for additional money to provide these facilities?

19 A Correct.

20 Q And the amount if mentioned on page 3, I believe. Is that the
21 total or just a part?

22 A We asked them for \$465,000 to provide us with a music room,
23 kindergarten room, and additional elementary rooms.

24 Q And when was this application made?

25 A It's a pre-application, and we're No. 5 on the docket. I
26 think it was submitted some time the first part of February.

27 Q When do you expect to get an answer?

28 A I don't know. We hope to hear our pre-application was taken

1 some time this first part of March.

2 Q I notice at the bottom of page 3 you mention that the enroll-
3 ment of students in your school, whose parents are in the dis-
4 trict, as a result of either working in Colstrip or coal-re-
5 lated jobs, represent 13.71% of your total enrollment?

6 A Yes.

7 Q How much of that 13% is related to Colstrip?

8 A What do you mean by Colstrip, specifically? Do you mean that
9 travel to Colstrip to work?

10 Q Well, you mentioned yourself, in the next to the last line,
11 either working in Colstrip or coal-related jobs, so I assume
12 that we're talking about working in Colstrip?

13 A Yes. The Colstrip -- where we got our 13.71% -- were parents
14 who worked at Colstrip, either directly, for the coal com-
15 panies, or the construction companies, and this is where I
16 put coal-related jobs, because of the construction crews.

17 Q Are some of these people working in the coalfields?

18 A Yes, there are a few.

19 Q And do you know for sure that their work is directly connected
20 with the Colstrip operation?

21 A Well, when people bring their students into a room, the first
22 time, we ask them where they are employed, and this is what I
23 have based this on, and if they're working for Bechtel, I don't
24 assume they're out plowing, or something like that.

25 Q Now, let's go back to the jobs of working in the coalfields.
26 If they're working in the coalfield down there, strip-mining
27 field, you're including that in the 13.71%?

28 A Yes.

1 Q Now, are you aware of the fact that not all of the coal mined
2 down there goes to Colstrip?

3 A What do you mean by doesn't go to Colstrip?

4 Q Well, a lot of the coal that is being mined down there, goes
5 out of state, are you aware of that?

6 A Yes, I am.

7 Q Are you attempting to differentiate between the people down
8 there that are working in the coalfield insofar as whether or
9 not that that particular coal that they are working on goes to
10 Colstrip, or elsewhere? If they're working in the coalfield,
11 you'd assume that it's Colstrip-related, is that correct?

12 A Yes.

13 Q We haven't attempted to break it down any further?

14 A No, I did not.

15 MR. BELLINGHAM: It was a long way to travel for
16 just the few questions I am going to ask you, isn't it?
17 That's all.

18
19 Redirect, by Northern Plains Resource Council

20 By Mr. Graybill:

21 Q Mr. Morissette, I want to make sure that I understand what
22 you're saying here. I notice on page 3, at the top of that
23 page, you point out that your enrollment in the last year is
24 19.86% over last year, is that right?

25 A It was on December 19th, the day we started putting this text
26 together.

27 Q And a large percentage of the increase, namely, 55% of them,
28 was because of the coal impact, right?

1 A Yes.

2 Q Let me ask you this. What you're telling us here is that even
3 in the little town of Rosebud, which is some distance away
4 from Colstrip, you're having school problems because students
5 come to your school because of the Colstrip plants being built
6 and because of the coal mines there, is that right?

7 A Yes, but I would differ with you on one point there. If you
8 go down to Rosebud, it's fairly close.

9 Q Yes, that's what I mean. These people are living in your town
10 and working in this other town, and their children are going
11 to school in Rosebud?

12 A Yes.

13 Q All right, what I'm interested in, granted that you've had
14 some increase in your enrollment, have you had an increase in
15 the tax base there in your school district?

16 A As a matter of fact, we had a decline of \$500,000 this year,
17 in both the high school district and the elementary district.

18 Q You sat here in the hearing room this afternoon, and you've
19 heard the testimony about all the money that's being spent
20 down there, and I'm sure you know that a lot is being spent in
21 Colstrip. Do you mean to say that these energy companies are
22 not contributing extra money to your tax base and your school
23 district?

24 MR. BELLINGHAM: We object to the form of question,
25 grounds, leading.

26 HEARINGS EXAMINER: Overruled.

27 A Our tax base, our taxable evaluation, declined this year, as
28 near as we can ascertain, due to the decline in cow prices.

1 As far as the coal development having a substantial portion
2 of our taxable evaluation, it has not had a very great effect
3 on ours, and in the four years I've been in Rosebud, our tax-
4 able evaluation in our high school district has gone from
5 some 2.5 million to 3.1 million back down to 2.6 million this
6 year, so it has been fairly steady and constant, but it is
7 growing approximately a couple hundred thousand dollars a year
8 until this year, and then it declined some \$500,000.

9 Q Well, what, in your judgment, is the relationship between the
10 Colstrip plants and the tax base in your school district?

11 A None, as far as I can see.

12 Q Pardon?

13 A I can't see any direct relationship between the two other than
14 the people that come in. We do gain on our taxable evaluation
15 from their homes; however, the economic wealth does not come
16 with them.

17 Q If they move in and have a home or a trailer tax, that tax is
18 paid by the taxpayer that owns the home, not by the Western
19 Energy Company or the Montana Power Company or the other appli-
20 cants, isn't that right?

21 A This is true.

22 Q So what you're saying here is that the enrollment is up a
23 little bit because people's children go to school there, but --
24 because of Colstrip -- but in fact, the tax base has not gone
25 up because of the Colstrip plants? Is that your testimony?

26 A Yes.

27 MR. GRAYBILL: All right, that's all the questions I
28 have.

1 Re-cross, by Applicants

2 By Mr. Bellingham:

3 Q What about these people who have moved into town? Have some
4 of them built houses and so forth?

5 A Last year, there wasn't a house available in the town. Right
6 now, there are four houses for sale.

7 Q Do you know if some of these people have purchased houses?

8 A Yes, they have.

9 Q So they're being assessed taxes, are they not?

10 A Yes, they are.

11 Q These are people that are working at Colstrip or in the coal-
12 related activities?

13 A Yes, but I think we have to take one look at the taxable
14 evaluation of the housing in Rosebud. I can give you an ex-
15 ample of what the property is worth as far as houses go in
16 Rosebud. One of my neighbors who moved in and has now left,
17 was on one of the construction crews for the boilers. He
18 bought his house for \$2,500. We have another house for sale
19 in Rosebud right now for \$2,500, so I think you can see that
20 even though there are houses bought in Rosebud, the value of
21 those houses isn't too great.

22 Q Well, they're paying taxes on them, regardless of value, are
23 they not?

24 A Yes.

25 Q They're also paying taxes on their automobiles?

26 A Yes.

27 Q And they're paying taxes on other personal property, too, are
28 they not?

1 A Yes, I have no disagreement with that.

2 Q All right, you mentioned that as far as you know, the impact
3 from 1 and 2 is having no effect upon your school district.
4 As a practical matter, the person who preceded you on the wit-
5 ness stand, Mr. Gillin, indicated that a part of the county-
6 wide tax levy does go to all school districts in the county,
7 isn't that right?

8 A It is equalized; however, I didn't bring my complete budget
9 with me to evaluate. Our taxable evaluation in our district
10 is such that until this year, we have sent a portion to the
11 State Equalization Fund, or it went to the County Equalization
12 Fund first, because we have a large area for our district, com-
13 pared to the number of students we have.

14 Q Yes, but to get back to my question again, you have a county-
15 wide tax, do you not?

16 A Yes.

17 Q In Rosebud County?

18 A Yes.

19 Q And a portion of that is segregated for the school districts
20 in the county, is it not?

21 A Yes.

22 Q So from that point of view, you do get some help, don't you?

23 A We get help within our General Fund Budget. What we would get,
24 we would get from the state, one way or another.

25 Q And, of course, a part of the county-wide tax is units 1 and
26 2, isn't that right?

27 A I would assume so.

28 MR. BELLINGHAM: No further questions.

1 Re-redirect, by Northern Plains Resource Council

2 By Mr. Graybill:

3 Q On this last point, Mr. Morissette, do I understand that your
4 particular school district, until just a few years ago, used
5 to actually contribute money to an equalization fund? In
6 other words, you had enough money for your students, and you
7 helped other school districts pay for their students?

8 A Under the finance system in the state of Montana, which I
9 would not attempt to describe or define in detail here, each
10 elementary district is assessed 25 mils and each high school
11 district is assessed an additional 15 mils, and due to the
12 fact that the number of students in our district, according to
13 the schedule for the General Fund, or Foundation Program, in
14 the state of Montana, did not allow us to budget the money
15 that we collected, therefore the money did go into the General
16 Equalization Fund.

17 Q So that's because there was enough money collected, compared
18 to the number of students, that there was, in a sense, excess
19 money?

20 A Well, I'd hate to say there was excess money, because we had
21 to vote a levy on top of it.

22 HEARINGS EXAMINER: What you should say is that that's
23 because of the new Constitution.

24 WITNESS: Yes.

25 Q And now you're telling us that in recent years, though, since
26 the Colstrip plants, this has reversed, and you are now actu-
27 ally needing to get money from outside to help you, is that
28 right?

1 A Yes, we got some of the county equalization this year.

2 Q Now, Mr. Bellingham asked you about the taxes that were paid
3 on these houses that have low values on them, and on the cars.
4 Are the taxes paid by the individuals who have come into the
5 community sufficient to offset the increased costs that you've
6 had to bear because of the education of their students; in
7 other words, have taxes gone up enough to offset the expenses
8 that you have in educating a child?

9 A I would say that it has kept fairly close pace, if we don't
10 take into consideration the construction aspects. As far as
11 the operation and maintenance of the school, yes, we can oper-
12 ate and maintain on that; however, when it comes to expansion
13 of the plant to provide the flexibility that we need in our
14 elementary school, it was necessary to bond over and above
15 what we would have had to otherwise.

16 Q And of course, part of that need for construction is due to
17 your increased enrollment?

18 A Yes.

19 MR. GRAYBILL: That's all.

20 MR. BELLINGHAM: No questions.

21 HEARINGS EXAMINER: Thank you, sir, you're excused.

22 (WITNESS EXCUSED.)

23 HEARINGS EXAMINER: Next witness.

24 MR. GRAYBILL: All right, I'll call Frank Munshower.

25

26 FRANK MUNSHOWER, called as a witness by the Northern Plains Resource
27 Council, having been first duly sworn upon his oath, both as to his
28 written direct testimony and as to the oral testimony to follow,

1 was examined and testified as follows:

2
3 (THE WRITTEN DIRECT TESTIMONY OF MR. FRANK MUNSHOWER
4 WAS DIRECTED TO BE INSERTED AT THIS POINT.)
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STATE OF MONTANA
BEFORE THE BOARD OF
NATURAL RESOURCES AND CONSERVATION

STATEMENT OF
FRANK MUNSHOWER

My name is Frank Munshower. I am employed by the Animal and Range Science Department of Montana State University as a Research Associate. My Bachelor of Arts and Sciences degree was acquired from Purdue University at Lafayette, Indiana in Zoology. Masters and Ph. D. degrees were from the University of Montana. The doctorate was awarded from the Botany Department with a major area in Plant Ecology. Research for that degree emphasized cadmium cycling in food chains of the Deer Lodge Valley of Montana.

At the present time my research is divided between four areas. These include two Federal grants involving trace element research, one at Colstrip funded by ERDA and the other on the Tanner Creek Watershed and funded by the Federal EPA. A third area involves analyses of plant, soil, and water samples from the reclamation research group at MSU. Chemical analyses for their studies of stripmine reclamation are often performed in the laboratory I direct.

The majority of my time, however, is directed toward the study of potential elemental emissions from Colstrip power

plants and their effect on the range resource. I will not detail the results of our studies. They are available in publications from the MSU Agricultural Experiment Station. Because this study is the focus of attention at this moment, I must explain its intent and purpose.

The study was funded by the power companies planning development at Colstrip, Montana. It was designed to be an objective assessment of the range ecosystem and to provide baseline information to be available for comparison to future data derived from studies within the same area when and if the power plants become operational. It was a survey of animals and vegetation in the area of major impact on the coal-fired power plants. Using meteorologic data developed by another group at MSU, and with the cooperation of the ranchers in this area, we established a network of vegetative sampling locations around the proposed power plants. These sites extended along eight radii (No., NE, Ea, etc.) from one to fifteen miles along the windward radii (Ea, SE, and NW), and to 7.5 miles in the other directions. At each of these sites the major vegetative types represented within the immediate vicinity of the site were collected on a seasonal basis. The samples included the major grasses, shrubs, and trees of the study area. The first collection took place in late summer 1972, chemical analyses began immediately.

These sample analyses included determination of sulfur, fluoride, and trace element concentrations. The trace elements included the micronutrients copper, manganese, and zinc, and the non-essential toxic elements lead, cadmium, and nickel. These elements were selected because of their concentration in the coal to be burned at Colstrip or because they posed a potential threat to plants or animals. Other elements were analyzed in specific plant species or animal tissues if they represented possible toxicity problems.

Surface soils at the study sites were collected and analyzed for trace element levels. These soil samples as well as the vegetative samples remaining after analyses were completed, have been stored at MSU and are available for future comparative analyses and study.

Another segment of this range ecosystem study emphasized specific grassland communities. These areas are from one to two acres in size and were fenced to prevent damage by livestock or humans. Within these exclosures vegetative productivity and several ecological parameters have been measured. A numerical estimate of plant diversity based on the Simpson-Weaver index has been generated and permanent photo-points established. This data will provide a measure of the effect of future emissions on community composition within these exclosures. Federal funding in 1975 extended this exclosure program into wildlife habitat.

Power plants release particulate and gaseous products that may be toxic to plants and animals. Stack and ground level concentrations which determine this toxicity have been discussed by others with expertise in these fields. However, some amounts of sulfur, fluoride, cadmium, lead, arsenic, mercury and other elements will be emitted from the power plants. These elements, in various forms, were present in the range ecosystem around Colstrip, Montana before power plant operation. Our surveys and investigations will define the concentration of many of these elements in soils, plants and animals of the area.

The toxicity of various chemicals to plants or their accumulation by plants and subsequent availability to animals is the subject of much study and research. Sulfur dioxide, fluorides, and nitrogen oxides are common emissions from power plants. The sensitivity of most plant species to these substances is unknown. However, three agricultural plants, extensively grown in the Colstrip area, are known to be sensitive to one or more of these gases. Alfalfa shows injury after fumigation with sulfur dioxide at 0.5 ppm. Wheat is also sensitive to sulfur dioxide and barley is sensitive to both sulfur dioxide and fluoride (Jacobson and Hill, 1970). In addition to these crops, two native grasses have shown varying sensitivity to air pollutants. Indian rice grass (Oryzopsis hymenoides) has shown visible injury to sulfur dioxide at 0.5 ppm after two-hour fumigation trials

(Hill et. al, 1974) and annual blue grass (Poa annua) is intermediate in sensitivity to nitrogen dioxide. Other plants found within the study area and relative levels of sensitivity include ponderosa pine - sensitive to sulfur dioxide and fluoride, goldenrod and violets - intermediate in sensitivity to fluoride, and yellow clover - sensitive to sulfur dioxide.

Airborne pollutants exert their influence on range animals through a variety of routes. Both toxic and essential elements may be inhaled and absorbed in the lungs or ingested with vegetation or soil particles and absorbed in the rumen and/or intestine. Obviously the major route into range animals is through the food they consume. Because elevated pollutant levels may accumulate on leaf surfaces while ambient levels are very low or high fallout may be masked when a summer rainstorm washes dust from the leaf surface, it is very difficult to show relationships between the amount of a pollutant ingested by cattle or wildlife and ambient levels of that pollutant. Only long and expensive studies can establish relationships between ambient levels, plant concentrations, and animal accumulations of toxic elements. Periodic analysis of animal tissues provides the most economical method of monitoring trace element exposure in animals.

Specific species of plants have been found to accumulate different toxic elements and thus expose herbivores to

to elevated elemental levels. In many cases green plants can accumulate substances to levels that are toxic to animals without showing any visible evidence of this elevated elemental level. Identification and analysis of these "accumulator species" is part of our study in the Colstrip area. For example, molybdenum was identified as the causative agent of a disease syndrome in cattle grazing near a lignite ashing plant in North Dakota (Christianson and Jacobson, no date). This element was accumulated by white sweet clover (Melilotus alba) growing in pastures near the ashing plant. In this instance the herbivores were injured by vegetation not exhibiting any pollutant damage syndrome.

Sweet clovers invade disturbed lands and are readily consumed by cattle and wildlife. Although white sweet clover is not common in our study area, yellow sweet clover (M. officinalis) is very common, and it also accumulates molybdenum. This element is antagonistic to copper and because copper levels are low in soils and vegetation of the Colstrip area, elevated molybdenum emissions could pose a problem.

Selenium toxicity in horses and cattle has been recorded in South Dakota. Because there is selenium in the coal and some quantity will be emitted from the stacks of the power plants, this element was surveyed in accumulator species in the study area. Concentrations recorded to date were within the range of optimum levels in forage for cattle consumption except at three collection sites east of Colstrip. At these sites an

Astragalus species revealed selenium concentrations ten or more times the levels found in other collections in the study area. Further investigation is planned to identify the species of this plant and the extent of its distribution.

Arsenic is toxic to mammals and pollinating bees. These insects accumulate arsenic from the flowers they visit to collect nectar and pollen. In this case the insect acts as the accumulating organism. Arsenic levels reaching toxic concentrations have been recorded in bees near power plants. (Svoboda, 1960). Cadmium is very toxic to warm-blooded animals. This element is accumulated by mammals and damages kidneys and the gastrointestinal tract. Effects upon reproduction have been suggested by many investigators (Pate et al, 1970; Nordberg, 1972). Even low level emissions could pose problems to animals existing under stress conditions. Lead and mercury are also toxic to many species of animals. Copper, zinc, and manganese are essential elements for plants and animals but reduce plant growth at elevated soil levels. Observations near the smelter in the Deer Lodge Valley and studies in Canada indicate that excessive emissions of these trace elements with sulfur dioxide and the subsequent accumulation of trace metals in surface soils reduce the diversity of green plants in the polluted zone. Ecosystem stability is threatened by excessive emissions and the health of the cattle industry and wildlife resource are likewise endangered.

Development of a series of coal-based industries from the Dakotas through Wyoming, eastern Montana and into southern Canada poses a dismal picture to the traditional rancher-based economy of the area. Reductions in range productivity, changes in plant community composition, and decreased crop yields, in addition to altered elemental levels in range plants are realistic threats from the complexes developing or planned in this area. Unbridled development will introduce new problems to the basic agricultural and wildlife resources of this region.

Christianson, C. and C. Jacobson. no date. Report on H₂ in farm animals and its relationship to a uraniumiferous lignite ashing plant. Div. of Environ. Engineering, Bismarck, N.D.

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Wardberg, G. 1972. Effects of acute and chronic Cd exposure on the testicles of mice. Environ. Physiology, 1:171-187.

Pate, F., A. Johnson, and V. Miller. 1970. Testicular changes in calves following injection with CdCl₂. J. of Anim. Sci., 31(3): 559-564.

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1 HEARINGS EXAMINER: Mr. Peterson.

2
3 EXAMINATION OF MR. FRANK MUNSHOWER

4 Cross, by Applicants

5 By Mr. Peterson:

6 Q Dr. Munshower, as I understand it, you've been working in the
7 Colstrip area for a period of years doing base line data re-
8 search, is that right?

9 A That's correct.

10 Q And how long have you been in the Colstrip area?

11 A My first trip was in the summer of 1972.

12 Q And was that the time when the particular sites were set up
13 which you explain on page 2 of your statement?

14 A That's when we started setting them up, yes. They weren't
15 finished then. All of the sites were not included until at
16 least a year later, maybe 18 months later.

17 Q What was the site which was closest to the town of Colstrip?

18 A Permanent site?

19 Q Yes.

20 A That would be one mile from the Colstrip power plant, which
21 would be approximately oh, a half to three-quarters of a mile
22 west of the town of Colstrip.

23 Q What did you find at that site relative to the concentrations
24 of sulfur dioxide on the grasses or the vegetation, do you re-
25 member?

26 A I would say right off that I don't think there was a signifi-
27 cant difference between the concentrations there and the con-
28 centrations at the other site, but I'd have to check the records

1 to be sure of that.

2 Q As far as you were concerned, the concentrations there, being
3 approximately within one mile of town, and that 15 miles from
4 town, were approximately within the same level for sulfur di-
5 oxide?

6 A I'd have to say yes to that right now.

7 Q And none of those levels exceeded ten parts per million?

8 A Sulfur?

9 Q Yes.

10 A Yes, some of the levels did exceed that.

11 Q What was the largest?

12 A I measured the concentration in tenths of a percent, which
13 could be 10,000 parts per million. Concentrations in grassland
14 vegetation, the grasses generally run about between .1% and .2%.
15 Ponderosa pine, approximately 1.4%. The broad leaf plants
16 would differ drastically, according to the species.

17 Q How about the fluoride content on the vegetation at one mile
18 versus the 15 miles?

19 A I did not see any significant differences. All concentrations
20 were very low.

21 Q Were they all below 10 parts per million?

22 A Yes. I think we had one or two sites where annual grasses in
23 the first year's samples were higher than this, but subsequent
24 analysis of vegetation at these sites indicated that it was a
25 contamination of the sample.

26 Q Is selenium a plant nutrient?

27 A Not for most plants; however, it is considered by many, an
28 animal nutrient.

1 Q Do you know whether or not -- would you state that it's an
2 essential dietary nutrient for animals?

3 A Yes.

4 Q What levels of selenium toxicity in horses and cattle have
5 been recorded in South Dakota that you describe in your state-
6 ment?

7 A I think these concentrations were in excess of 10 parts per
8 million in vegetation. It may have been higher than that, but
9 I'm sure it was in excess of 10 parts per million.

10 Q What concentrations of selenium did you find in the vegetation
11 surrounding Colstrip?

12 A Mostly, the concentrations were in the range of .1 to .2 parts
13 per million.

14 Q Now, when you describe, on page 4 of your statement, you make
15 the statement that alfalfa shows injury after fumigation with
16 sulfur dioxide at 5 parts per million. Five parts per million
17 is basically equivalent, is it not, to 1500 micrograms per
18 cubic meter?

19 A I will have to accept your word on it. I don't know the con-
20 version right away.

21 Q Do you know the source of the injury, or the source of the
22 data which produced the statement that you made on page 4
23 relative to alfalfa?

24 A One was the -- there were several references for this, and I
25 believe one of them was Hill's work, 1974, quoted in the
26 bibliography; another one, I believe, was a reference, the
27 EPA reference that was discussed this morning, or earlier today.

28 Q The resource criteria document No. 5?

1 A Yes.

2 Q It's true, is it not, that that reference had to do with a
3 laboratory or greenhouse study?

4 A I believe it did.

5 Q And it did not have anything to do with actual field measure-
6 ments?

7 A I believe that's correct.

8 Q Do you see a difference, Dr. Munshower? Could there be a
9 difference?

10 A Yes.

11 Q What is it?

12 A In the field, you have effects other than those of the pollu-
13 tant discussed in greenhouse studies. I think Hill's work,
14 some of it was done in the field, and this includes atmos-
15 pheric events, soil events, nutritional events, which you can
16 control in a greenhouse, but you cannot control in the field.

17 Q Does that have to do with such things as moisture content and
18 the like?

19 A That's correct.

20 Q And all those matters have to do with coming up with the result,
21 don't they?

22 A They do.

23 Q With regard to wheat and barley, which you mention on page 4,
24 being sensitive to sulfur dioxide and fluoride, could you give
25 us an indication of the concentrations that would be required
26 to produce injury to wheat or barley?

27 A I'm thinking -- I may be wrong in this -- the wheat was in the
28 same range as the alfalfa, slightly more resistant, but in the

1 same range. The barley, I believe, is more resistant than the
2 alfalfa.

3 Q So it would take a higher concentration for the barley?

4 A In terms of sulfur, yes, and the fluoride concentrations, I
5 don't know the range of the concentrations to which they are
6 sensitive. I'd have to check the literature on that.

7 Q You also state that Indian rice grass, which I understand is
8 indigenous to the Colstrip area, has shown visible injury to
9 sulfur dioxide at five parts per million after two hours of
10 fumigation?

11 A Yes.

12 Q Was that under a controlled atmosphere?

13 A It was part of Hill's work. I believe he constructed tents in
14 the field and controlled fumigation in the field.

15 Q Did he find any injury when the concentration was less than
16 5/10ths parts per million?

17 A I don't remember. I think this is the lowest concentration
18 he analyzed. I'm sure it was either the lowest he analyzed or
19 the lowest at which he recorded damage, but I cannot tell you
20 for sure which.

21 Q What about the sensitivity of Poa annua to nitrogen dioxide?
22 Do you know what concentration that took?

23 A No, I don't. It's more resistant than the Indian rice grass,
24 however.

25 Q This Hill's study was done where?

26 A Utah, I believe.

27 Q Around what power plants?

28 A I'm afraid I couldn't tell you. I think, if I remember

1 correctly, it was in an area supposedly not affected by power
2 plant emissions, so there would be no residuals.

3 Q I think you're right. Dr. Munshower, do you differentiate
4 between injury and damage?

5 A I think -- I cannot substantiate this -- I differ with Hill a
6 bit. Hill says no visible injury -- no damage without visible
7 injury. I suspect that there is some injury, some damage,
8 that is not visible.

9 Q Would you define injury and damage as being one and the same?

10 A I think they should be. I don't think most investigators say
11 that they are. I think they distinguish between the two.

12 Q With regard to the soil analysis, have you made any computa-
13 tions based upon the expected emissions of the trace elements
14 of Colstrip units 3 or 4, as to what the deposition of the
15 trace elements would be over the lifetime of the plants?

16 A No, I'm sorry, I have not.

17 Q If, in the event testimony was developed in this proceeding that
18 the total amount of trace elements deposited for any given
19 element would not exceed a level of 3/10ths times greater than
20 that which is already in the soil for a 40-yr. period, do you
21 think that would be an excessive amount?

22 A Would you say that again?

23 Q Yes. The testimony in this case was that the total amount
24 deposited for any given trace element would not exceed the
25 level of 3/10ths times that which is presently in the soil,
26 accumulated over a 40-year period of plant operation. Would
27 you consider that to be a significant increase?

28 MR. GRAYBILL: The record should show that that's a

1 hypothetical question. Is that right, Mr. Peterson?

2 MR. PETERSON: I said if the evidence in this case
3 showed.

4 MR. GRAYBILL: Yes, and I merely want the record to
5 show that you're not claiming that is what the record
6 shows, but that's what you're saying it might show.

7 MR. PETERSON: I'm saying that that's what the
8 record shows.

9 MR. GRAYBILL: Well, I'd challenge the record on
10 that. I don't think it's that simple.

11 HEARINGS EXAMINER: Very well, at least the hearing
12 body will have your challenge in there, and they'll have
13 to search that out.

14 A I think it would depend upon the form of the element involved.
15 If the form were a soluble, available, and toxic element, this
16 would be significant. It could be.

17 Q What element would you have in mind that would consider those
18 three types, those three elements? What trace elements?

19 A I would say selenium, possibly molybdenum, possibly cadmium.

20 Q What is the present level of the selenium in the soil at Col-
21 strip now, based on your base line data?

22 A We don't have good figures on selenium, because the analysis
23 of soil selenium is very difficult. We have some water soluble
24 figures, and I don't have them with me, and there is no good,
25 easy method of determining soil seleniums relative to plant
26 availability, so I really can't answer the question.

27 Q With regard to your testimony on page 6, where you state that
28 "For example, molybdenum was identified as the causative agent

1 of a disease syndrome in cattle grazing near a lignite ashing
2 plant in North Dakota," do you know whether or not the deposi-
3 tion of that trace element was made by particulate matter or
4 gaseous matter?

5 A It was assumed to be particulate matter.

6 Q Do you know the concentration?

7 A In the soils?

8 Q Yes.

9 A No, I don't remember that they were even reported in the re-
10 port, included in the report.

11 Q And the test was done on the white sweet clover?

12 A Yes.

13 Q Do you equate that to yellow sweet clover?

14 A No, although they're very similar. They're two different
15 species.

16 Q You state that the molybdenum would be antagonistic to copper.
17 What do you mean by that?

18 A It appears as if the molybdenum effect is very closely related
19 to the copper nutritional balance of the animal. Apparently,
20 in the physiological processes taking place, molybdenum occu-
21 pies a site on an enzyme that copper should occupy, or is in-
22 hibitory to a copper catalyzed reaction; in some manner, the
23 two are related in the physiological activities of the organ-
24 ism; therefore, if you have a low molybdenum or a low copper
25 diet, the molybdenum effect is much greater, and the reverse
26 is also true; if you have a molybdenum effect, the treatment
27 is injections of copper sulfate or some copper compound of
28 some sort.

1 Q Have you made any analysis as to whether or not either of
2 those situations will occur at Colstrip?

3 A No. We have looked at the concentrations of both elements on
4 vegetation, and this is --

5 Q And are they fairly low at this time?

6 A Copper is slightly lower than I would have expected it to be.
7 Molybdenum is about what I would have anticipated.

8 Q How would you raise the copper level?

9 A I don't think it's necessary to raise it. The plants seem to
10 have adapted well to the situation.

11 Q Now, you state that concentrations recorded to date are within
12 the range of optimum levels, and you're talking there about
13 selenium?

14 A On what page?

15 Q Page 6, again.

16 A Yes.

17 Q Except at three collection sites east of Colstrip?

18 A Yes.

19 Q Where would those be, Dr. Munshower?

20 A That would be on land owned by Bailey Egan, about 2½, 3½
21 miles east of Colstrip.

22 Q When you state that arsenic levels reaching toxic concentra-
23 tions have been recorded in bees near power plants, what were
24 the levels of those toxic concentrations?

25 A As I remember, they were something like 1000 plus parts per
26 million.

27 Q Have you seen any such levels at or near Colstrip?

28 A No, I have seen no arsenic levels on bees at Colstrip.

1 Q Have you examined for the same?

2 A Not yet, no; however, I have heard -- I don't know how true
3 this is -- that other people are examining some of the (unin-
4 telligible) insects.

5 Q Do you know what the projected emissions are for the arsenic
6 from the power plants?

7 A I don't remember the exact figure, but I remember seeing it
8 in the impact statement.

9 Q Were they fairly low?

10 A I thought so.

11 Q Do you know of any data relative to the toxicity levels of
12 cadmium?

13 A Just straight toxicity?

14 Q Yes.

15 A Well, there's Schroeder's work and most of the work recently
16 has been done not on toxicity as much as control of blood
17 pressure and the effect on reproductive organs.

18 Q Have you taken samples of cadmium levels in mammals at Col-
19 strip?

20 A Yes.

21 Q What did you find?

22 A They were quite low.

23 Q Could you give me a number?

24 A I wish I had my data with me. Let's say kidney concentrations
25 in big game, deer, .4 parts per million dry weight. I might
26 have to correct that if I looked at the figures, but it's
27 something in that area.

28 Q What would we have to raise that level from .4 to, in order to

1 bring it toxic?

2 A In terms of toxicity, it would have to be quite high. The
3 study of the toxicity of cadmium would require determining how
4 fast you would want to produce the toxicity; if you want to
5 produce it within a few months, you're going to have to
6 massively dose the organism with cadmium. The effects, sub-
7 lethal effects, could be achieved with-at least, I would
8 think, visible sublethal effects that were easily identified
9 would require probably an order of magnitude increase.

10 Q Can you give me a number?

11 A I don't want to, because it would be almost a guess, and I'd
12 have to check some of the literature to be sure, and unfortu-
13 nately, most of the literature is undefined as to whether it's
14 wet or dry weight.

15 Q With regard to lead and mercury, are the concentrations in
16 the species that you examined also quite low?

17 A Yes.

18 Q What were the levels of the emissions of these trace elements
19 in the Deer Lodge Valley and in Canada which raised the
20 copper, zinc, and manganese? I take that back. You make a
21 statement here that "Observations near the smelter in the
22 Deer Lodge Valley and studies in Canada indicate that ex-
23 cessive emissions of these trace elements --" and I assume
24 you're talking about copper, zinc, and manganese -- "with
25 sulfur dioxide and the subsequent accumulation of trace metals
26 in surface soils reduce the diversity of green plants in the
27 polluted zone." What study was that?

28 A The Deer Lodge study refers to my own observations during my

1 thesis work in the area.

2 Q Around what plant?

3 A It was the Anaconda smelter. The Canadian study was at Trail,
4 British Columbia and the smelter in Ontario. I was talking
5 with the people in Canada at the conference and they had a
6 presentation showing the vegetation in the area. Now, I can't
7 remember the exact reference on the two studies.

8 Q Do you remember, Dr. Munshower, the level of emissions?

9 A The level of emissions was very high.

10 Q And what do you mean when you say very high?

11 A I do not know the exact levels in the Anaconda area. I was
12 never able to find the levels; however, the soil concentrations
13 that I measured could not have been possible without extremely
14 high emissions.

15 Q Have you seen any data on the projected emissions from Colstrip
16 which would approach those levels that you saw in the Deer
17 Lodge Valley?

18 A No.

19 Q Now, as I understand the basis of your testimony, you are do-
20 ing base line data study out there, and then, from that, you
21 have recited in here various trace elements, sulfur dioxide,
22 and fluoride, in which you said potential damage may occur.
23 Is that correct?

24 A That's correct.

25 Q You're not stating for the record, are you, that damage will,
26 in fact, result from these plants?

27 A No, because if I knew positively, without the shadow of a
28 doubt, I think that the study would be redundant.

1 Q What are the present plans of your organization with regard to
2 continuing this base line work?

3 A I assume that we will continue the base line work for some
4 time in the future, to measure the effect of emissions.

5 Q Do you know how long your base line study will continue?

6 A I was originally asked for a 6-year budget. That was in the
7 fall of '72. The federal study asked for a 5-year budget.
8 That was in '74 -- '75.

9 Q Are there any budget plans which will continue beyond '75?

10 A Beyond '75?

11 Q Yes.

12 A Do we have a signed contract?

13 Q You are budgeted for this year, aren't you?

14 A Yes, until June of '76, under both studies.

15 Q Is that from both the federal source and the power company
16 source?

17 A Yes.

18 MR. PETERSON: I don't think I have anything else
19 at this time.

20 HEARINGS EXAMINER: Mr. Graybill.

21
22 Redirect, by Northern Plains Resource Council

23 By Mr. Graybill:

24 Q First of all, you were discussing with Mr. Peterson the effect
25 of the potential emissions and trace elements on grasses, and
26 I have a question that may be simplistic, but I take it that
27 it is possible for one of these elements, the sulfur dioxide
28 or the trace elements to cause injury or damage to the grasses

1 themselves, right? That's one possible way of loss?

2 A It's possible, but the effect would probably be obvious be-
3 fore there was visible damage to the plant itself.

4 Q Well, what I mean is, if sulfur dioxide --

5 A I was excluding sulfur dioxide. I was thinking of the trace
6 metals.

7 Q All right, in other words, in the case of the trace metals,
8 would it have an effect on the amount of the plant that grew
9 or the volume of the plant, that sort of thing?

10 A The primary effect, I think, from my observations, has been
11 that the effect of excessive trace metal accumulation are
12 accumulations in the plant itself and in the effect on herbi-
13 vores feeding on the plant, themselves.

14 Q In other words, the main damage is that the animals eat the
15 plants which have accumulated the trace elements, is that the
16 idea?

17 A That's correct.

18 Q And they cause damage to the animal, in that case?

19 A That's correct.

20 Q And this is in respect to the trace element problem, of trace
21 elements getting into the plants and being accumulated, right?

22 A In plants, yes.

23 Q Now let's talk about the sulfur dioxide situation. Does that
24 affect the volume or the growth of the plant itself?

25 A It has an effect upon the plant leaf structure itself.

26 Q Does that particular pollutant, sulfur dioxide, does it get
27 into the animal through the plant, or is it just a cutting down
28 of the size of the plant?

1 A Primarily, the effect there is on the plant.

2 Q So in the sulfur dioxide situation, what we have is a pollu-
3 tant which limits or injures the plant itself, and so we get
4 a lesser volume or a lesser quality in the product, of the
5 grain, or of the hay, is that right?

6 A That's correct.

7 Q But in the trace elements situation, it's a different type of
8 injury in that it's a situation where the trace element
9 collects in the plant and is then eaten by the animal and then
10 causes a reaction in the animal after it's been eaten?

11 A That's correct, and I just might mention that excessive levels
12 that accumulate secondarily in soils then also have an effect
13 upon plants.

14 Q You're talking about the trace elements now?

15 A Yes.

16 Q And the sulfur dioxide?

17 A Yes, so either of these types of pollutants.

18 Q Would this also apply to the fluorides?

19 A No. I wouldn't think that fluorides in soil have much of an
20 effect on plants.

21 Q Their effect is upon the leaf?

22 A That's correct.

23 Q But in the sulfur dioxide and the trace elements situations,
24 sometimes the concentrations arise in the soil itself, is that
25 what you're saying?

26 A I would like to distinguish between sulfur dioxide and trace
27 elements and keep them separate. Excessive trace elements in
28 the soils have an effect on plants because of their effect upon

1 the ability of a plant, say, to germinate or for its roots to
2 penetrate through the upper soil where the seed is germinating.
3 The sulfur effect is not a direct effect from the soils on a
4 plant; however, it's an effect upon the alkalinity of the soil,
5 making the metals more soluble, thus exaggerating their effect.

6 Q So the trace elements, then, in addition to the characteristic
7 of gathering in the plant and harming an animal, may, under
8 some circumstances, change the nature of the soil and there-
9 fore the growability of certain plants?

10 A That's a good word; I like that.

11 MR. PETERSON: We'll put that one down in the
12 Graybill Dictionary of Vegetation.

13 MR. GRAYBILL: Well, I'm glad that I've contributed
14 something that everybody likes, for a change.

15 Q And then, you say that sulfur dioxide, while it does not have
16 the same effect as the trace elements, often makes the trace
17 elements more easily available to the plants in the soil?

18 A The effect of the trace elements then becomes more obvious.

19 Q And then, of course, the sulfur dioxide does have an effect
20 on the leaf or the plant itself, tending to stunt it or change
21 it, and is this a characteristic that it shares with fluoride?

22 A Yes.

23 Q Would fluoride injure plants in the same manner as sulfur
24 dioxide?

25 A There are certain physiological differences and anatomical
26 differences in the effect of the two, but in broad terms, yes,
27 their effect is generally both in the leafy structure of the
28 plant.

1 Q So that the effects that we might look upon or expect in terms
2 of pollution that the plants might cause air pollution, would
3 be the trace element effects in the ground and collected in
4 the plants, and the sulfur effects, sulfur dioxide effects, in
5 changing the base metals in the ground, and third, the effects
6 of the sulfur dioxide or fluorides in the air, in stunting
7 growth; those three different types of results might occur
8 from air pollution?

9 A That's a good summary.

10 Q You discussed the alfalfa and the barley and the wheat levels
11 or types of damages, as contained in some reports of the En-
12 vironmental Protection Agency. Do you know, personally, of
13 any field experience with either alfalfa or grains other than
14 the tests that you referred to when you were discussing it
15 with Mr. Peterson? In other words, are there examples that
16 you're aware of or familiar with, of damage to alfalfa or
17 grain crops, from pollution, that are not examples under the
18 greenhouse situation that you and he discussed?

19 A Well, there are examples of crop damage, not specifically with
20 respect to these two, soybean damage in the TVA area.

21 Q Can you describe that damage to us?

22 A Well, it was once again a blotching of the leaf, which is
23 characteristic of sulfur damage.

24 Q Describe how that takes place.

25 A Absorption of sulfur, excess sulfur, sulfate sulfur, through
26 the stomata of the leaf itself, and the effect of the excess
27 sulfur, either as an acid or as an interference with different
28 physiological mechanisms within the leaf, causes the death of

1 the cells within the leaf and the subsequent browning or
2 silvering of areas between the veins of the leaf, and Davis,
3 and several other investigators, are very sharp about this.
4 They say visible damage is directly proportional to crop re-
5 duction. Other investigators say there is crop reduction
6 without visible damage.

7 Q But in any event, the sulfur dioxide gets on the leaf and
8 is then absorbed into the leaf and then makes changes in the
9 chemical processes in the leaf, which tends to either brown
10 or stunt the growth of the leaf in its normal manner, is that
11 the idea?

12 A That's correct.

13 Q This happened on soybeans in the Tennessee Valley area because
14 of sulfur dioxide?

15 A Yes.

16 Q Do you know of any other such examples with other crops? In
17 other words, are there examples that you think of, other than
18 the greenhouse examples that you discussed?

19 A I can't think of any right off the top of my head.

20 Q Is this effect upon the soybeans in the Tennessee Valley the
21 sort of thing you would expect to happen to alfalfa in the
22 Colstrip area if there was sulfur dioxide infiltration or
23 dropout in that area?

24 A Yes, I would think it would be a damage of that type.

25 Q In the grain situation, do you know the loss, again, is a loss
26 to the leaf, or does it affect the grain itself, or by affect-
27 ing the leaf, does it affect the grain?

28 A I don't see how it would be possible to have an effect on the

1 leaf, which is a photosynthetic mechanism of the plant, without
2 having a resulting effect in grain productivity.

3 Q In other words, the leaf or the grass part of wheat, has an
4 effect in transmitting the sun's energy into the grain kernel?

5 A That's correct.

6 Q So that if you affect the grass part of any of these grain
7 crops, you would tend to affect the grain part?

8 A That's correct.

9 MR. GRAYBILL: I think that's all I have.

10
11 Re-cross, by Applicants

12 By Mr. Peterson:

13 Q Dr. Munshower, when you answered a question relative to the
14 type of damage that you would expect to find at Colstrip in
15 relation to what was found by TVA, you're not saying, are you,
16 that what was found at TVA will, in fact, happen at Colstrip?

17 A I don't think that's what he asked. He said would the type
18 of damage.

19 Q But you're not saying that what they did find at TVA will, in
20 fact, happen at Colstrip?

21 A No, I didn't say that.

22 MR. GRAYBILL: First of all, Jack, you won't find
23 soybeans at Colstrip.

24 MR. PETERSON: I don't know; they may start growing
25 them down there.

26 Q With regard to any damage or injury from trace elements, sulfur
27 dioxide or fluoride, it does, in fact, depend upon the amount
28 and quantity of concentration at the ground level of the

1 pollutant on the vegetation, does it not?

2 A The ground level over time, yes.

3 Q And there are a number of other factors besides the concentra-
4 tions and dose time, such as moisture, soil stability, and the
5 like, which also enter into whether or not damage will, in
6 fact, occur?

7 A That's correct.

8 MR. PETERSON: That's all I have.

9 MR. GRAYBILL: I just have one more question.

10
11 Re-redirect, by Northern Plains Resource Council

12 By Mr. Graybill:

13 Q The mere fact that EPA or the state agencies would set a stan-
14 dard does not mean that there will be no damage below the
15 standard, does it?

16 A I don't think so.

17 Q In other words, the standard is an educated guess as to how
18 much we ought to absorb or stand the damage, isn't that the
19 idea?

20 A Something like that, yes.

21 Q And as a matter of fact, the damage probably starts small and
22 goes up on a curve, depending on the amount of pollutant that
23 affects the plant, isn't that so?

24 A That's what many investigators think.

25 MR. GRAYBILL: That's all.

26
27 Re-re-cross, by Applicants

28 By Mr. Peterson:

1 Q Do you feel that the standards that are set in Montana for a
2 1-hour concentration of sulfur dioxide will prevent injury or
3 damage to vegetation?

4 A I'm not too sure that it will, to all vegetation.

5 Q Are you saying that the Montana 1-hour standard, which is much
6 less than the federal secondary standard, will cause damage
7 if it is equal?

8 A No, I wouldn't go so far to say that, but I'm just not convinced
9 that it is sufficient to prevent any injury to all plants.

10 Q How low would it have to be, zero?

11 A I couldn't tell you; something above zero, but what it is, I
12 don't know.

13 MR. PETERSON: That's all.

14 HEARINGS EXAMINER: Thank you, sir.

15 (WITNESS EXCUSED.)

16 HEARINGS EXAMINER: Do you have any other witnesses,
17 Mr. Graybill?

18 MR. GRAYBILL: I think that's all for today, sir.

19 HEARINGS EXAMINER: I'd like to call Mr. Casterline,
20 then, as a public witness.

21
22 KEITH CASTERLINE, appearing as a public witness, having been first
23 duly sworn upon his oath, both as to his written direct testimony
24 and as to the oral testimony to follow, was examined and testified
25 as follows:

26
27 (THE WRITTEN DIRECT TESTIMONY OF MR. KEITH CASTERLINE
28 WAS DIRECTED TO BE INSERTED AT THIS POINT.)

Presentation by: Keith Casterline, President
McCone Electric Co-op., Inc.

To: Board of Natural Resources

I am Keith Casterline, President of the board of trustees of McCone Electric Cooperative of Circle, Montana. I wish to present a brief statement in support of the construction of Colstrip generating plants 3 and 4.

McCone Electric is a Rural Electric Cooperative serving approximately 4500 accounts consisting of farms and ranches in the sparsely populated area of east central Montana and also the incorporated towns of Circle, Jordan and Richey. The area served is between the Lower Mussellshell River area on the west and the Yellowstone River area on the east, a distance of 160 miles. It has the Fort Peck lake and Missouri River as the north boundary and extends approximately 100 miles south.

When the Cooperative was first energized in 1947, it purchased all of its power requirements from the Bureau of Reclamation as a preference customer. When distribution lines were built in the Mussellshell River area in 1954, a wholesale power contract was negotiated with Montana Power Co. to serve this area and the western half of Garfield County. The contract with Montana Power Co. has been subject to cancellation with one year notification depending upon availability of power by the Company or adequate transmission line capacity to transmit the power requirements. Wheeling of this power from Roundup, Montana was arranged with Fergus Electric Cooperative of Lewistown, Montana.

In the early 1960's all of the Bureau of Reclamation preference customers were advised by the Bureau that they had to find another source of power to fill their deficiencies after 1967. There were no adequate transmission lines in the area to look to the west for an adequate supply of power. This caused McCone Electric to join with four other eastern Montana and five western North Dakota Cooperatives to form the Upper Missouri

Generation and Transmission Electric Cooperative. This new cooperative then contracted with Basin Electric Cooperative of Bismarck, North Dakota to furnish the deficient power required by McCone with the exception of that portion furnished by Montana Power Co. This has been accomplished by contracting with the Bureau of Reclamation for Missouri Basin hydro generation and lignite coal fired generation in North Dakota. In 1975, of the nearly 60 million kilowatt hours purchased by McCone, 41% or 24.5 million kilowatt hours was generated at a lignite coal generation plant at Stanton, North Dakota, 6.4 million kilowatt hours was supplied by Montana Power Co. through a contractual arrangement with Central Montana Electric G & T Cooperative and the balance of power came from the Bureau of Reclamation.

McCone Electric has experienced a load growth of 7.4% during 1974 and an additional growth of 10.1% in 1975. Although this increase is not reflected in the actual statistics of delivery by Montana Power Co. to McCone due to shifting of load, it does show the trend of increases in the industry. One of the responsibilities of the board of trustees is to obtain an adequate supply of power. It is for this reason that the board of trustees of McCone Electric feels Colstrip plants 3 and 4 should be built; to assure the people of Montana that they will have an adequate supply of electricity for whatever purpose needed and when it is needed. Generation put into a transmission system, no matter where, has the effect of displacement and makes that much more power available at some other location.

The trustees of McCone Electric also feel that all Federal and State regulations be enforced to prevent air and water pollution by the operators of the plants. They feel that Montana has some of the most stringent reclamation and ecology laws in the Nation. They also feel that we must find a balance between two very important items: 1. The preservation of our so-called way-of-life in eastern Montana with it's good air and water quality

that we desire. 2. The availability of enough electricity to use as we need it for our standard of living and for the economic well-being of our farms, ranches and small business enterprises.

I thank you for the opportunity to make this brief presentation.

1 HEARINGS EXAMINER: Mr. Casterline, I think you may
2 have observed from these proceedings that where you have
3 a written statement, you don't need to reread it into the
4 record. We simply will file it and it will go to the
5 Board, so you'll then be subject to cross-examination.
6 I understand you're appearing as a proponent?

7 WITNESS: That's right.

8 HEARINGS EXAMINER: Therefore, the opponents, or
9 their counsel, have the right to cross-examine. Mr.
10 Doney, will you lead off?

11 MR. DONEY: Yes, Mr. Hearings Officer.

12
13 EXAMINATION OF MR. KEITH CASTERLINE

14 Cross, by Department of Natural Resources and Conservation

15 By Mr. Doney:

16 Q Your name is Keith Casterline? Am I pronouncing that correct-
17 ly?

18 A Yes.

19 Q And you're the President of the Board of Trustees of McCone
20 Electrical Cooperative of Circle, is that right?

21 A Yes, sir.

22 Q How long have you been in that capacity?

23 A One year, sir.

24 Q Is your statement today as a result of a vote that was taken
25 by your board?

26 A I didn't quite understand that.

27 Q Did the Board of Trustees of the cooperative vote on this case?

28 A Yes, sir, we passed a resolution.

1 Q When was that?

2 A I think it was about a month and a half ago.

3 Q Had any members of the Board read the transcripts up to date

4 in that proceeding or read any of the environmental impact

5 statements produced by the Applicants or the Department in

6 this case?

7 A No, not to my knowledge, anyway.

8 Q On what basis, then, did the Board pass its resolution?

9 A Well, I feel that the written statement that I made here

10 pretty well suggests why we took the stand that we did.

11 Q But were there any studies that the Board had studied or made

12 on its own to support its position taken here today?

13 A The definition of the word, study, may be different. I don't

14 know just what you mean by study.

15 Q Has the Board taken it upon itself to read any of the studies

16 that have been produced in this proceeding?

17 A Not to my knowledge.

18 Q On page 1, Mr. Casterline, of your statement, you say that

19 "The contract with Montana Power Company has been subject to

20 cancellation with one year notification." How long has that

21 provision been in the contract?

22 A Ever since its inception, I believe.

23 Q On page 2 of your statement, Mr. Casterline, in the second

24 paragraph, you state: "It is for this reason that the Board

25 of Trustees of McCone Electric feels Colstrip plants 3 and 4

26 should be built, to assure the people of Montana that they

27 will have an adequate supply of electricity for whatever pur-

28 pose needed and when it is needed." Why does the Board feel

1 Colstrip plants 3 and 4 should be built?

2 A Well, it's been our experience that whenever any generation
3 is put into the system, which includes all transmission lines
4 and so forth, anywhere that it's put in there, it can displace
5 and make available electricity elsewhere.

6 Q But why Colstrip units 3 and 4? Couldn't these units be lo-
7 cated elsewhere?

8 A Yes, sir, I think we pointed out that since the generation
9 plants, coal generation plants in North Dakota, this has
10 happened. This has been our experience and what we based our
11 decision on, or one thing that we based it on.

12 Q So you're really not saying, are you, that you're in favor of
13 Colstrip 3 and 4 per se, but that you're in favor of more ener-
14 gy being provided, is that correct, no matter how it's provided?

15 A I think that our Board would consider any other plants and
16 make the decision on those plants at that time. I'm not say-
17 ing that this is a broad coverage of any and all generation.

18 Q You don't care where the plants are?

19 A I'm not saying that.

20 Q Then why is the Board in favor of Colstrip 3 and 4 at that
21 site?

22 A Well, it just seems there is some generation going on down
23 there now. There's coal mining going on now, and it looks
24 like there are plans made for it, and these plans look good to
25 us.

26 Q If Colstrip units 3 and 4 were not needed, would the Board
27 still be in favor of those plans?

28 A If they're not needed, would they be in favor of them?

1 Q Yes.

2 A All the statistics that we have seem to point out that there
3 is a need for electricity.

4 Q Well, Mr. Casterline, I'm asking you to assume that they're
5 not needed, and if they were not needed, would the Board be
6 in favor of the units?

7 A It's quite hard to assume that.

8 Q You don't have the right not to assume what I want you to
9 assume.

10 A My imagination is slipping any more, I guess, but I suppose
11 if they were not needed -- but somebody would have to prove
12 to us that they were not needed.

13 Q Do you think that this is part of this proceeding, to determine
14 whether or not they are needed?

15 A Yes, we do.

16 Q Are you aware that the increase in demand for energy in the
17 Pacific Northwest has been decreasing in the last couple of
18 years?

19 A No, I don't believe that I have.

20 Q Does your Board avail itself of any studies or reports that
21 are being put out by any group, West Group Forecast, for in-
22 stance, or anybody else, on energy demands in the Pacific
23 Northwest?

24 A Yes, we're members of the BPA, I think it is, and so forth,
25 and there are statistics.

26 Q But you're not aware the demand for energy in the Pacific
27 Northwest has been decreasing, even after reading these reports?

28 A No, I am not aware of that.

1 Q On the bottom of page 2, Mr. Casterline, you say, "The trus-
2 tees of McCone Electric also feel that all federal and state
3 regulations be enforced to prevent air and water pollution."
4 Have you ever heard of the Utility Siting Act?
5 A Yes, sir.
6 Q Are you aware that that law requires that the facilities must
7 be needed before they can be certified?
8 A Yes, sir.
9 Q Are you also aware that that law requires that the facility
10 must represent the minimum adverse environmental impact?
11 A Yes.
12 Q Why wasn't that law considered as part of your statement?
13 A I think that we feel it is included, sir.
14 Q Could you show me where it is in your statement?
15 A "They feel that Montana has some of the most stringent reclama-
16 tion and ecology laws in the nation." That should include part
17 of it.
18 Q You think that the Utility Siting Act is a reclamation law?
19 A I think that it has something to do with it.
20 Q Are you aware of the strip-mining laws that are in effect in
21 this state?
22 A Well, I guess rather.
23 Q Are you aware that those laws deal with reclamation and not
24 the Utility Siting Act?
25 A Well, I'm sure they have their effect on it, too.
26 Q How did you get here today?
27 A Pardon?
28 Q How did you get here today?

1 A How did I get here today?

2 Q Yes.

3 A Drove my car.

4 Q By yourself?

5 A My wife was along.

6 Q Did anybody request that you appear here today and testify?

7 A Yes, sir.

8 Q Who?

9 A The Board of Trustees of McCone Electric.

10 Q When did they make that request?

11 A About a month ago -- no, pardon me, two weeks ago, at our last
12 meeting.

13 Q Was this a board meeting that you attended?

14 A Yes.

15 Q To your knowledge, did anybody ask the Board of Trustees to
16 ask you to appear here today?

17 A Not to my knowledge.

18 MR. DONEY: I have no further questions.

19 HEARINGS EXAMINER: Mr. Graybill?

20

21 Cross, by Northern Plains Resource Council

22 By Mr. Graybill:

23 Q Your last answer interests me, Mr. Casterline. Did the Board
24 of Directors, just out of the goodness of its heart and out of
25 the blue, decide to send you down here to this hearing, or
26 don't you really know that somebody asked the Board of Direc-
27 tors to do that?

28 A Will you repeat that, please?

1 Q Don't you really know that someone asked the Board of Directors
2 to have you come down here or have someone from the cooperative
3 come down here and testify on behalf of the Applicants?

4 A No.

5 Q You don't know that? Under oath, now, you don't know that
6 your co-op was approached by anybody from the Applicants' side
7 of the aisle to get you to come down and testify here? Is
8 that your testimony under oath?

9 A Not me, personally.

10 Q I didn't ask you personally. I asked you from your knowledge,
11 sir. Don't you, under oath, know that somebody asked that co-
12 operative to get somebody to come to this hearing? Now,
13 you're under oath, sir, and --

14 HEARINGS EXAMINER: Let him answer the question,
15 Mr. Graybill, before the lecture. He's thinking of an
16 answer.

17 MR. GRAYBILL: Okay, I want him to answer.

18 A I don't think it's important whether there is somebody here or
19 not. I think that we were nudged -- I'll call it nudged --
20 I think that's the right word, to ask if we were interested in
21 giving testimony.

22 Q Who nudged you, Mr. Casterline?

23 A No one contacted me, except one of the Board of Directors.

24 Q Well, who do you mean, you were nudged? What do you mean,
25 you were nudged? Don't you mean someone contacted you or the
26 Board?

27 A Yes, there was some contact made, I suppose.

28 Q And I'm asking you who made it? That is clear, isn't it?

1 A I really don't know.

2 Q You really don't know who made it?

3 A No.

4 Q Haven't you heard who made it?

5 A I don't think so.

6 Q Well, did Mr. O'Connor, the past President of Montana Power
7 Company, make it, to your knowledge?

8 A I told you, sir, I don't know.

9 Q Did Mr. Lahr, who's sitting in the back of the room here, a
10 lobbyist for the Montana Power Company, did he make it?

11 A He might have.

12 Q Well, did he, or didn't he, to your knowledge, under oath,
13 sir?

14 A Not to my knowledge.

15 Q Who would know, in your cooperative, who asked that someone
16 come?

17 A Our Vice-President probably would.

18 Q What's your Vice-President's name?

19 A John MacDonald.

20 Q Did he tell you that somebody had asked him to see that some-
21 body came?

22 A I don't know if that's the right language, sir.

23 Q Well, why don't you tell me what John MacDonald told you about
24 that subject?

25 A At our meeting, the subject came up.

26 Q Who brought it up?

27 A I think John MacDonald, sir, and wondered if we shouldn't con-
28 sider a resolution concerning Colstrip 3 and 4.

1 Q Did he say something about having been contacted by somebody,
2 or did this come out of the blue?

3 A I don't remember.

4 Q Now, don't you really remember what he said, Mr. Casterline?

5 A No, I don't remember.

6 Q Were you there?

7 A Yes, sir.

8 Q This took place just a couple of weeks ago?

9 A No, sir.

10 Q How long ago did it take place?

11 A Six weeks, sir.

12 Q It's been six weeks ago that you arranged to come down here?

13 A No.

14 Q Well, that the Board arranged to have someone from the cooper-
15 ative come down here, is that right?

16 A No.

17 Q Well, what is your testimony then?

18 A That was two weeks ago.

19 Q When was the meeting?

20 A We have a meeting every month.

21 Q The meeting that you decided to come down here, Mr. John Mac-
22 Donald made a suggestion that a resolution be passed. When
23 was that held?

24 A We passed the resolution about six weeks ago, or two meetings
25 ago.

26 Q And then what did you do about it this last meeting?

27 A Well, we talked about it, and we never decided who could go.
28 As you probably realize, we're a bunch of farmers, and we have

1 to take turns and work out who can be available.

2 Q Yes, I understand all that, Mr. Casterline. Now, I'm very
3 interested in why the co-op did this, and who asked the co-op
4 to go, and you seem to not be able to remember any facts about
5 who asked. Do you really not remember what happened at the
6 meeting just two weeks ago and the one six weeks ago?

7 A That's right, I don't know. I don't know that I ever knew.

8 Q Well, what do you mean, you were nudged? That's your language,
9 Mr. Casterline.

10 A Pardon?

11 Q That was your language. What do you mean, the co-op was
12 nudged?

13 A Well, they must have been -- like the statement I made to you
14 about John MacDonald mentioning that we could consider a
15 resolution concerning 3 and 4.

16 Q Are you saying that John MacDonald thought that up himself and
17 that you don't really believe someone contacted him to get the
18 co-op to do that?

19 A No, I'm not saying that.

20 Q Well, as a matter of fact, you do believe that someone con-
21 tacted him to get the co-op to do that, don't you?

22 A I don't know if it makes any difference what I believe.

23 Q Well, I'm asking you if you believe that?

24 A Not necessarily so; I think John MacDonald has a mind of his
25 own, and he could have come up with that himself.

26 Q But do you think he did?

27 A Probably not.

28 Q Then who did?

1 A I don't know.

2 Q I beg your pardon?

3 A I don't know.

4 Q Are you trying to hide from us the fact that somebody tried
5 to get this --

6 HEARINGS EXAMINER: Now, he stated he didn't know,
7 Mr. Graybill, and if that's his testimony, I don't know
8 that you need to be --

9 MR. GRAYBILL: Your Honor, it's a point upon which
10 he's obviously being evasive and I should be given some
11 latitude in cross-examination.

12 HEARINGS EXAMINER: If you don't know who contacted
13 him, that's all you need to say, that you don't know,
14 sir.

15 A If I did know, I've forgotten, and I'm sorry. I apologize.
16 I'm not a very good witness.

17 Q Well, let me ask you this. It's not a matter of being a good
18 witness, or a bad witness, Mr. Casterline, it's a matter of
19 finding out. Did anyone from the Applicants' side, from the
20 power companies, or from any of the Applicants here, have any-
21 thing to do with the fact that this co-op came down to this
22 meeting and put you on the stand?

23 A I don't think so.

24 Q You think it was all done out of the goodness of the co-op's
25 heart?

26 A Sir, we feel we have a job to do, we're concerned with our
27 job, we feel that we're doing the right thing, being a pro-
28 ponent for the power plant.

1 Q Certainly, sir, I understand that. I'm not questioning your
2 honesty or your integrity. I'm questioning to find out why
3 you're here. Now, Mr. Casterline, as the President, do you
4 have access to the minutes of that cooperative that pertain
5 to this matter?

6 A Not right now, I don't.

7 Q You mean as President you can't get hold of the minutes of
8 that cooperative?

9 A I can if I go to Circle.

10 Q Well, surely, I mean when you get home?

11 A Yes.

12 Q Could you provide me with a copy of the minutes? I'm not in-
13 terested in all the other business, but only the business that
14 pertains to sending somebody to this meeting. Can you provide
15 me with a copy of those minutes?

16 A I think probably so.

17 Q All right, will you do so?

18 A I guess so.

19 Q All right.

20 A With the approval of the Board of Trustees, of McCone Electric,
21 if that's all right.

22 Q I don't mind your asking the Board. I'd expect an explanation
23 if the Board wouldn't give them. I merely want to find out
24 the background.

25 A Okay, I think that would be fair.

26 Q Now, let's get onto your statement here. Originally, I under-
27 stand, you got all your power from the Bureau of Reclamation?

28 A Yes, according to the records.

1 Q And then in 1954, you began to buy some power from the Montana
2 Power Company, is that so?

3 A I think that's the right date.

4 Q How much power do you buy from them, Mr. Casterline?

5 A 6.4 million kilowatt hours was supplied by Montana Power.

6 Q Per year?

7 A In 1975.

8 Q Now, it says here that this contract is subject to cancella-
9 tion upon a year's notification. Has anybody ever notified
10 you that they might have to cancel that contract?

11 A Yes, they have.

12 Q Who?

13 A The Montana Power Company, I guess.

14 Q Who in the Montana Power Company?

15 A I think it came from an office in Billings or Butte or some-
16 where. This has been several years ago.

17 Q And why were they going to cancel it?

18 A Well, I think the supply of power and the matter of transmission
19 and so forth. I think it all entered into it.

20 Q Do you know if there's ever been a time that the Montana Power
21 Company hasn't been able to supply all of its customers in the
22 last two years?

23 A No, sir.

24 Q Have they ever not been able to supply you?

25 A No.

26 Q Even on a temporary basis?

27 A No, I think they've supplied us.

28 Q But in spite of that, they told you that they might have to

1 cancel your contract for non-availability of power, is that
2 right?

3 A Well, I guess so.

4 Q That was about the time that 1 and 2 were being built, Col-
5 strip units 1 and 2?

6 A I don't know. What year would that have been?

7 Q Well, that started in '71 or '72, and they're just finishing
8 up now, the first one. Are you familiar with the fact that
9 Colstrip No. 1 is now available for generating power and that
10 it adds 350 megawatts to the Montana Power Company's total
11 availability?

12 A Yes. I think, if I remember correctly -- I could be a few
13 years off -- but I think it was back about 1968.

14 Q That they threatened to cut you off?

15 A I wouldn't call it a threat, just a notice, and we have the
16 ability to adjust our loads in our service area, and this we
17 have done.

18 Q You do have that ability?

19 A Yes, sir, up to a point.

20 Q Well, you've made arrangements to do that?

21 A Well, it's the way our system is built.

22 Q If they cut you off, then you could make other arrangements
23 to get the power from somewhere else, is that right?

24 A Well, it would be pretty hard. It would mean building some
25 highpriced transmission line.

26 Q In other words, just a matter of spending a little money?

27 A Not a little money.

28 Q Well, a lot of money?

1 A A lot of money.

2 Q So the fact is that your cooperative, by spending some more
3 money, could make arrangements to get alternative power;
4 that's what you're testifying?

5 A Yes, I could testify to that. We could extend our lines,
6 which come from the east, which carries at least half of the
7 power generated in North Dakota. We could carry that to our
8 west end, which would mean a good many miles of transmission
9 line.

10 Q Do you think that since the Montana Power Company has put Col-
11 strip No. 1, and soon 2 will be available, with 350 megawatts
12 of additional power, that it's very likely that they're not
13 going to have enough power for you in the future?

14 MR. BELLINGHAM: The statement has been made that
15 all of No. 1 would go to Montana Power system, and that
16 is not correct. Puget, of course, has a half interest in
17 No. 1.

18 MR. GRAYBILL: That's why I added that. Let's clear
19 this up for Mr. Casterline.

20 Q Do you realize that Unit No. 1 has 350 megawatts of power?

21 A Why, yes.

22 Q Do you realize that Unit No. 2, which is going to go on line
23 this next spring or summer, has also 350 megawatts of power?

24 A Yes, sir.

25 Q And do you realize that that 700 megawatts is half owned by
26 the Montana Power Company?

27 A Yes.

28 Q Do you think there's any time in the foreseeable near future

1 that you're not going to be able to get power from them after
2 they get that 350 megawatts on line?

3 A Well, we're hoping we could.

4 Q Do you have any reason to believe that that isn't adequate
5 power to supply you?

6 A Well, it would sure do us.

7 Q Pardon?

8 A It would sure do us.

9 Q Do you have any reason to believe that they're not going to be
10 able to supply you in the future?

11 A No.

12 Q Just this statement back in 1968, is that all you're depending
13 on?

14 A This contract that we have from year to year.

15 Q Why don't you get a long-term contract with the Montana Power,
16 Mr. Casterline?

17 A I think we tried to.

18 Q Could it be that the Montana Power Company is not very charitable
19 about giving REA's long-term contracts?

20 A It could be.

21 Q Is that your experience, Mr. Casterline?

22 A Well, you can tell we haven't had much experience. We just
23 have one inlet for Montana Power.

24 Q Well, have you tried to get a long-term contract?

25 A Probably not very hard.

26 Q Well, then, why don't you try to get a long-term contract from
27 them, and that would secure your power supply, wouldn't it?

28 A Yes, if they'd give it to us.

1 Q Is there any reason the Montana Power wouldn't be glad to give
2 an REA a long-term contract, Mr. Casterline?

3 A Well, the only reason I know that we couldn't get a long-term
4 contract is that we have a one-year contract.

5 Q As long as you got a one-year, you don't need a long-term, do
6 you?

7 A No.

8 Q Did the fact that you have a contract that's cancelable in
9 one year have anything to do with increasing your interest in
10 Colstrip 3 and 4?

11 A Probably.

12 Q In other words, you thought that since you had such a short-
13 term contract, that it might be a good thing if Montana Power
14 had plenty of extra capacity, is that right?

15 A Well, I think whether it was long or short, it would be a good
16 idea.

17 Q Well, would it make you more secure if they had a lot of extra
18 generating capacity?

19 A We had a long-term contract with the Bureau, and it didn't hold
20 up. We had to go elsewhere for power. I think my testimony
21 points out that we went to North Dakota to a coal-fired plant.
22 There, we have an unending contract, which is a tough one, too.
23 I wish I had a 1-year with them.

24 Q You talk about the Bureau having some capacity in North
25 Dakota. Are they building some coal-fired plants in North
26 Dakota?

27 A I didn't mean to give that inference. It's not the Bureau.

28 Q Well, you used to buy all your power from the Bureau, right?

1 A Yes.

2 Q Is the Bureau building more power plants in North Dakota?

3 A Not to my knowledge.

4 Q Who's building the coal-fired plants in North Dakota?

5 A The Basin Electric.

6 Q What do you mean on page 2 when you said "This has been
7 accomplished by contracting with the Bureau of Reclamation for
8 Missouri Basin hydro-generation and lignite coal-fired genera-
9 tion in North Dakota"? Maybe I got my Dakotas mixed up. Is
10 it North Dakota in which the Bureau has a coal-fired plant?

11 A There may be a mistake in the testimony. I don't think that
12 the Bureau has any there.

13 Q Isn't that what you say here in your statement? Maybe I
14 don't understand your statement. Do you see the sentence I'm
15 referring to?

16 A Yes, I see the sentence.

17 Q What does it mean, Mr. Casterline?

18 A Could you give me just a minute? Maybe if we read the whole
19 paragraph together, it would help to clarify it.

20 Q Sure.

21 A I believe I can clarify that, if you'd let me.

22 Q The next sentence points out that a great deal of --

23 HEARINGS EXAMINER: Go ahead and clarify it.

24 Q Go ahead, clarify it. What does it mean?

25 A This means that the -- I'm sure that this should read the
26 Missouri G & T.

27 Q Well, in any event, let's not worry about whether the lignite
28 plant in North Dakota is owned by the Bureau of Reclamation

1 or is from Missouri G & T or Basin Electric; in any event,
2 it's owned by one of those three, isn't it?

3 A It's owned by Basin Electric.

4 Q I see, and you have a contract to buy power from them, right?

5 A We have a contract with the Upper Missouri G & T.

6 Q And it has a power contract with Basin Electric, right?

7 A Right.

8 Q Is there any reason you can't get all the power you need there?

9 A Probably not, if you want to pay for it.

10 Q Well, is the Montana Power cheaper than the power you get from
11 G & T?

12 A Yes, it is.

13 Q Is that why you want the Montana Power to build Colstrip 3 and
14 4 so you can get cheaper power?

15 A I'm not sure that would be the result.

16 Q In other words, you have no way of knowing that the power
17 you'd get from 3 and 4 would be cheaper, have you?

18 A No.

19 Q As a matter of fact, it's likely to be more expensive, isn't
20 it?

21 A Probably.

22 Q So saving money isn't the reason you want 3 and 4 built, is it?

23 A No, I think availability is probably the utmost.

24 Q All right, availability, but you've just talked here about the
25 fact that the Basin Electric is a coal-fired generating plant
26 in North Dakota, that it sells to the G & T, that you buy from
27 the G & T. Is there any reason that you can't get the power
28 you need there?

1 A Well, the plants in North Dakota, I understand, are loaded.
2 Q Are they building more coal-fired plants in North Dakota?
3 A I'm not sure they'll be in North Dakota.
4 Q Can you say positively that you can't get sufficient power
5 in North Dakota to handle your McCone County Co-op?
6 A We could probably get the power, but we're obligated to get
7 this out to the people in the area, too, and this is our prob-
8 lem in bringing power from the east.
9 Q You mean you can't get it there because you don't have a
10 transmission line that comes the right way?
11 A Right, the transmission lines are not heavy enough.
12 Q So it's really a matter of just heavying up your line?
13 A Just a matter, yes -- kind of a high priced matter, though.
14 Q Well, is it high priced compared to a \$280,000,000 400-mile
15 double 500 kV transmission line from Colstrip to the Pacific
16 Northwest? Is it in that range?
17 A Well, when you consider everything involved, it's probably
18 about the same.
19 Q The same to you?
20 A Probably.
21 Q Now, you say on the first page of your statement that in the
22 early 60's, the Bureau didn't have enough power and they ad-
23 vised people to look elsewhere and to look to the west. Do
24 you remember some talk about building an extra high-voltage
25 line across the western Montana mountains to the Bonneville
26 Power Administration's area?
27 A Yes.
28 Q What happened to that proposal, Mr. Casterline?

1 A It seems like it never took root.

2 Q Well, that could have gotten you all the power you needed
3 without building 3 and 4, couldn't it?

4 A Yes. Maybe, in fact, the line went to California.

5 Q In other words, maybe the Californians got the power instead
6 of you?

7 A Something like that.

8 Q Mr. Casterline, are you aware that the Bonneville system is
9 now intertied to California?

10 A Yes, sir.

11 Q Are you aware that some of the power generated in Colstrip
12 will, in fact, relieve situations so that California can get
13 more power out of Bonneville?

14 A I wouldn't be surprised.

15 Q Do you think it's a good idea to build 3 and 4 so that Cali-
16 fornia can get some more power, Mr. Casterline?

17 A It seems like they need it.

18 Q And so you're proposing Colstrip 3 and 4 in Montana in the
19 ranching community that you've heard testimony about this
20 afternoon so that the Californians can get power, is that the
21 purpose of your testimony?

22 A I think we need power in the whole country.

23 Q So we just build it anywhere we want to? Is there any reason
24 why that power couldn't be generated closer to the load cen-
25 ters, Mr. Casterline?

26 A No, I guess not.

27 Q Do you know anything about the cost of transporting the coal
28 as against the cost of transporting the electricity? Do you

1 have any facts on that?

2 A No, not really.

3 Q Do you remember a proposal to build an extra high-voltage line
4 into Canada to get power into the Bureau of Reclamation sys-
5 tem?

6 A No, I can't say that I do.

7 Q You don't remember that. Why has the McCone County Electric
8 Cooperative experienced a load growth? What type of loads
9 have been growing in your area?

10 A Well, I believe mostly heat loads.

11 Q Any irrigation?

12 A Not too much, some.

13 Q You're heating by electricity in your area, is that it?

14 A Yes, changing over, new units being built, putting in elec-
15 tric heat -- I think that probably has the biggest effect on
16 it.

17 Q Let's assume that you and I would agree that we need more
18 power, more generation power, more generation and more power
19 available in the United States. That's an assumption that
20 might be easier for you to make. Once you agree to that assump-
21 tion, does it make any difference where those plants are built,
22 to you, or McCone County Co-op?

23 A I think the Board feels that they should be built in our state.

24 Q And has the Board done a study of the ecological effects of
25 building that plant in our state?

26 A No.

27 Q Has it read the transcript on that? Has it read the transcript
28 on the Board of Health part of the hearing?

1 A No.

2 Q Does the Board have any knowledge about the effect on the com-
3 munity of Colstrip?

4 A I think they have some knowledge.

5 Q Where have they gotten the knowledge?

6 A Well, probably through reports that somebody sends, through
7 the media.

8 Q I see, the newspaper reports?

9 A Well, part of it, yes.

10 Q And they feel it would be a good idea for Colstrip to put in a
11 plant in terms of the town of Colstrip, do they?

12 A I'm not sure that they're saying they should just put it in
13 Colstrip. I'm not sure that that's what they're saying, but
14 with the plans that are in the move now, I feel that our testi-
15 mony has taken a stand, and we will stand behind it.

16 Q Well, I know that you've taken a stand, but I'm trying to find
17 out whether you've taken it intelligently and based on evi-
18 dence, Mr. Casterline. What evidence have you based your stand
19 on that it should be placed at Colstrip specifically?

20 A Well, I think the availability of coal. I think the other
21 plants are there. This may sound funny, but it's a complex,
22 and I think it should help reduce the cost of power by putting
23 these all in one place.

24 Q Did you ever think that it might help raise the danger of
25 ecological damage by putting them all in one place?

26 A Well, we feel that if it does, the laws probably aren't
27 stringent enough. I think in this day and age they should be
28 able to build plants that will not affect things like this.

1 Q Mr. Casterline, in the East, they're able to build plants that
2 remove 4% sulfur from coal to get it down to the federal stan-
3 dards, but in Montana, the plant that you're backing today has
4 a scrubber that doesn't remove as much sulfur as the eastern
5 plants. Do you think that's fair?

6 MR. PETERSON: I'm going to challenge that statement
7 on the record, Mr. Davis.

8 HEARINGS EXAMINER: The record will show your
9 challenge.

10 A Sir, I don't know enough about the ways and the results of
11 so-said sulfur from coal. I'm not an expert in that field.
12 I don't feel I can answer something like that.

13 Q Do the rest of the Board of Directors of McCone County, are
14 they better able to answer that than you?

15 A I'm not sure that they are.

16 Q So in other words, what you're saying in your testimony here
17 is in spite of, or has nothing to do with that evidence, it's
18 just that you'd like the plant built, is that it?

19 A Well, we feel, as we stated here, that our state laws, by
20 everything that we've read and heard, are probably the toughest
21 in the nation, and if they're not good enough, then they should
22 be made better.

23 Q So what you're really here telling us is that we should make
24 the state laws as good as we can, is that right? Your purpose
25 here is to make the state laws better?

26 A No, I don't think that's my purpose here.

27 Q Mr. Casterline, do you realize that Colstrip 1 and 2 are simi-
28 lar plants to Colstrip 3 and 4, only somewhat smaller? Are

1 you aware of that fact?

2 A No, I didn't know that.

3 Q You didn't know that they had the same type of scrubber sys-

4 tems?

5 A No.

6 Q Well, if they had the same type of scrubber systems, do you

7 think it would be a good idea to test Colstrip 1 and 2 and

8 see how it worked in getting the SO₂ out of the air?

9 A Yes, sir.

10 Q You think that would be a good idea?

11 A Yes.

12 Q Do you think it would be a good idea to test 1 and 2 before

13 you built 3 and 4?

14 A Probably.

15 Q Would you like to put the McCone County Cooperative on record

16 as supporting that particular proposal?

17 A I feel that I couldn't right now.

18 Q But you personally feel that way?

19 A I think so, if it means clean air, clean water and so forth.

20 Q You think it would be intelligent to test plants 1 and 2 be-

21 fore building 3 and 4 if they're similar?

22 A Probably.

23 Q I notice in your statement you say that you want to balance

24 two very important items, "the preservation of our so-called

25 way of life in eastern Montana." You do recognize a way of

26 life in eastern Montana, don't you?

27 A Yes.

28 Q You're a wheat farmer, are you?

1 A Yes.

2 Q So you're familiar with that branch of industry or commerce,
3 as we've been talking this afternoon, aren't you?

4 A Yes.

5 Q Are you also familiar with the cattle industry?

6 A Fairly well.

7 Q Are you familiar with the fact that Montana has a very large
8 agricultural industry?

9 A Yes.

10 Q That we produce a good deal of food and grain and fiber for
11 the nation as a whole?

12 A Yes.

13 Q Do you think that's an important industry in Montana?

14 A Yes.

15 Q What are you doing to balance that by your statement here to-
16 day? How is your statement here today on behalf of the co-op
17 helping in the preservation of our so-called way of life in
18 eastern Montana with its good air and water quality?

19 A Well, our way of life also involves our standard of living.
20 I think this is part of our way of life. I think it involves
21 the air and water, the air and water quality.

22 Q Who told you, Mr. Casterline, that there was not enough power
23 available for the McCone Electric Cooperative from the Montana
24 Power Company?

25 A Who told me?

26 Q Yes.

27 A We received a letter several years ago. Is this what you mean?
28 What are you referring to, please?

1 2 Well, let's put it this way. In the last five years -- you
2 said that letter was in 1968 -- in the last five years, has
3 anyone from the Montana Power Company told you that there was
4 not enough power available for the McCone Electric Cooperative,
5 Inc.?

6 A Not to my knowledge.

7 Q Have you or the cooperative done any independent study of the
8 amount of power available in the United States or in the
9 western United States?

10 A Well, I sure haven't.

11 Q Has the McCone Electric Cooperative participated in what is
12 called the West Group Study showing the available power in the
13 Pacific Northwest? Are you a member of that group?

14 A What was the name of the group?

15 Q The West Group.

16 A I don't think so.

17 Q You haven't done any independent research on the availability
18 of power in the Pacific Northwest?

19 A I don't think I quite understand what you're getting at.

20 Q I've asked you how you know that there's not enough power for
21 the McCone County Cooperative and I'm trying to find out if
22 you've done studies on the Co-op's behalf so that you really
23 know there isn't enough power available for you?

24 A Well, the only thing that I can base that on is from the
25 Bureau and Basin and the Upper Missouri G & T.

26 Q And have they told you there's not enough power for your co-
27 operative?

28 A They're obligated to furnish power that we need on the east,

1 and it seems that they're building plants, 3 and 4, I think.

2 Q In North Dakota?

3 A Yes, and I think there's talk of one going into Wyoming.

4 Q So what you're telling me is that you have an association with
5 Upper Missouri G & T and with the Bureau of Reclamation, where-
6 by they are obligated to supply your power, isn't that true?

7 A Yes.

8 Q And that they have made arrangements to build new plants so
9 that they'll have power available, isn't that true?

10 A I guess that's right.

11 Q And who has told you in the last five years that the Montana
12 Power isn't going to have enough power for you?

13 MR. PETERSON: Objection -- repetitious.

14 MR. GRAYBILL: Well, all right, I'll withdraw that
15 question. I'll withdraw that in deference to Mr. Caster-
16 line's counsel. I think that's all the questions I have,
17 thank you.

18 WITNESS: I was answering him, but it seems like it
19 was getting repetitious, all right.

20 HEARINGS EXAMINER: Do you have anything you wish to
21 add to your statement, Mr. Casterline?

22 WITNESS: I would just like to point out that in
23 discussing this, we were talking about the balance between
24 two very important items, the preservation of our so-called
25 way of life in eastern Montana, with its good air and
26 water quality that we desire and the availability of
27 enough electricity to use, as we need it, for our standard
28 of living and for the economic well-being of our farms,

1 ranches and small business communities and enterprises.
2 I think that this is one thing that entered into the
3 Board's decision. I think this is one reason they made
4 it, and with that, I would thank you, Mr. Examiner.

5 HEARINGS EXAMINER: That doesn't necessarily provoke
6 any more cross-examination, does it?

7 MR. GRAYBILL: Well, I think it does.
8

9 Cross, by Northern Plains Resource Council

10 By Mr. Graybill (continuing):

11 Q You say that the other thing you have to balance is your second
12 point, the availability of electricity. Now, if I understand
13 you correctly, you've told us that the Upper Missouri G & T
14 and the Bureau of Reclamation have a contractual duty to
15 supply you with enough electricity, isn't that true?

16 A I think that's right, sir.

17 Q And in addition to that, that you have a fortunate contract
18 with the Montana Power Company to supply you with power for
19 the western half of Garfield County, isn't that right?

20 A An area somewhat like that.

21 Q And as I understand your answers to my previous questions, no
22 one in the past five years from the Montana Power Company has
23 told you they're not going to be able to supply you with
24 power, isn't that true?

25 A That's true.

26 Q And as a matter of fact, they're about to put in plants 1 and
27 2, Colstrip 1 and 2, an additional 350 megawatts of power into
28 the Montana Power system, you know that?

1 HEARINGS EXAMINER: We've covered that, I think.

2 Q You would agree with me that the sources we've just discussed,
3 Mr. Casterline, are sufficient to supply the availability of
4 enough electricity for our standard of living, even in McCone
5 County, isn't that true?

6 A Yes, but this does cover a larger area. What is made available
7 in one area, has its effect on another area, and this is real
8 true, and we would probably have been out of electricity a
9 long time ago if it hadn't of been for that.

10 Q And that's why you don't mind seeing the Colstrip power go to
11 California, because they need it, too, don't they?

12 A It seems that they do.

13 MR. GRAYBILL: All right, thank you, Mr. Casterline.

14 HEARINGS EXAMINER: Very well, you're excused, and
15 thank you, sir.

16 (WITNESS EXCUSED.)

17 HEARINGS EXAMINER: Is the Sheriff going to be here
18 tomorrow, Leo?

19 MR. GRAYBILL: I'll have to get on the phone and see
20 if he's coming. He was going to try to come Monday or
21 Tuesday.

22 HEARINGS EXAMINER: There's no reason to start before
23 nine, then, is there?

24 MR. GRAYBILL: I'd be glad to start at nine. I do
25 have several witnesses. I think it's, 5, 6, 7, 8, so
26 we'll have a full day, I'm sure.

27 HEARINGS EXAMINER: Well, bring me up to date. I've
28 just got three on this list you gave me.

1 MR. GRAYBILL: We have five, I guess, tomorrow.

2 HEARINGS EXAMINER: Let's recess until 9:00 o'clock.
3 We'll have to see later on in the week where we are, and
4 specifically, I'm thinking about Friday. It looks like
5 we're full-up until Friday.

6 MR. GRAYBILL: Well, Mr. Hearing Examiner, you're
7 not going to have to worry; we have a lot of witnesses
8 for this week, because we've got 12 or 15 coming on
9 Wednesday, and I don't think we're going to finish with
10 all of those on Wednesday, and I've already talked with
11 Mike Meloy. He has his witnesses coming on Thursday,
12 and if it's necessary to get any of his witnesses out of
13 town, I said I would certainly let him have time Thursday
14 and we might have to put some of ours over until Friday,
15 but I think we've got plenty of witnesses this week.

16 HEARINGS EXAMINER: When I get a call for a public
17 witness, I've got one that's written me since last summer,
18 and I guess I'll tell him to come Friday. How would that
19 be?

20 MR. GRAYBILL: That would be fine.

21 HEARINGS EXAMINER: As a matter of fact, this gentle-
22 man I wrote and told to come on Tuesday and then Arden
23 suggested they go ahead earlier in the week, so we had to
24 change all the scheduling. I've given all counsel a copy
25 and that included Mr. MacDonald's name on that list.

26 MR. GRAYBILL: The one that's coming on Friday, do
27 you know who he is?

28 HEARINGS EXAMINER: It's a letter from W. S. Croft

1 from the Montana Independent Resources Council, Cut Bank,
2 Montana, who will appear and give oral testimony in
3 support of the construction of Colstrip 3 and 4.

4 MR. GRAYBILL: I have one witness that's scheduled
5 for that day, and he cannot come the next week, so I
6 have one I need to get in that day, but I don't see that
7 we'd have any trouble.

8 HEARINGS EXAMINER: Mr. Doney, anything?

9 MR. DONEY: For the record, I just wanted to say
10 that Mr. Hammer will be available on Monday and he must
11 be done on Monday.

12 HEARINGS EXAMINER: Leo, when we finished the DNR
13 case --

14 MR. GRAYBILL: We know that Monday we've got Hammer
15 and also expect Gordon, and maybe one other. That's
16 fine. We're expecting them to take over on Monday.

17 HEARINGS EXAMINER: That might take most of the
18 day; they have good-sized statements, anyway. All right,
19 thank you, 9:00 o'clock tomorrow morning.

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21 (HEARING RECESSED AT 6:30 P.M.)
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